

**Executive Summary
Report** on the Home
Care Product and
Service Market in
Europe

CRS Industry Report, September 2024



In addition to the executive summary on our research, we like to introduce BlueTree and its Market Sounding

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Objective of our Research and Applicable Market Definition

The Home Care service market is experiencing a 2nd consolidation phase with attractive price levels

Key objective of this investigation was to answer if the market for Home Care service is facing a consolidation momentum.

Apparently, the M&A market gained momentum and increased by volume in the last two years. Private equity firms are the „new kids on the block“.

The CRS industry team reached out and interviewed to more than 45 companies in the European market to understand market participants' M&A strategy.

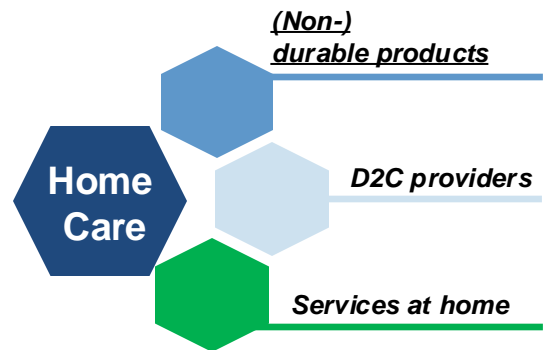
Along the reasech and interviews we gained great insights on the M&A activity and trends.

The Consumer, Retail and Service (“CRS”) industry sector team on Blue Tree Group – Investment Banking investigated the “Home Care” market in selected key markets of Western Europe.

In the relevant geographical markets, the Home Care service market is still **dominated by many small-sized and mid-sized companies** that have a strong regional market position. However, larger players such as insurance-backed services providers and clinics among other growing service providers are pushing into the market.

The market for Home Care services is for this investigation reduced to direct providers of products and services. **There have been 5 different groups of players in servicing directly or indirectly into the market** been interviewed. The market for (non-) durable products refers to companies that manufacture products and sometimes market them in conjunction with services.

Taxonomy of the Home Care product and service market



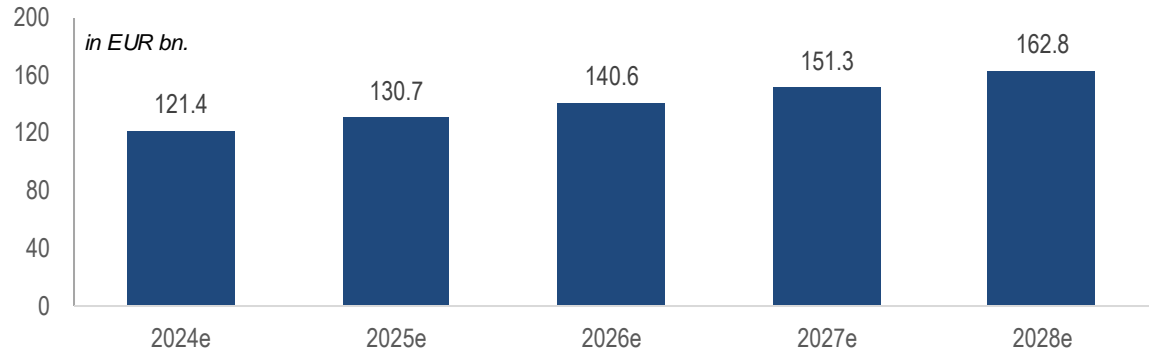
Market Definition

- The area of durable products refers to products used in intensive care, such as wheelchairs, specialized beds, and others. The area of non-durable products refers to consumables like bandages and similar items.
- The category of D2C providers encompasses a wide range of products and services primarily delivered for home care by companies, regardless of whether these are owned by the provider or not
- The area of services focuses on all types of services related to care. However, it excludes activities such as the placement of personnel or the provision of software for implementation.

Volume of the European Health Care Market and Trends of Home Care Market Segment

The European market for home care products and services is expected to grow on average by nearly 8% in the next years

Development of the European Home Care Market



Growing Aging Population and Cost Pressure: European population is aging apparently whilst national insurance system are undergoing significant cost pressure. These two drivers are setting the scene for new service models.

Growing Role of Pharmacists in Primary Care: Pharmacists are increasingly taking on a greater role in patient care, including offering advice on chronic disease management, administering vaccines, and providing basic health screenings.

Increased Focus on E-commerce: With the growth of online shopping in healthcare, many traditional medical and homecare services are launching online services for customers to conveniently order OTC medications and wellness products.

Telemedicine and Pharmacy: As telemedicine becomes more prevalent in Europe, pharmacists are working more closely with doctors through digital systems, especially when it comes to prescription management and patient follow-up.

The aging European population and increasing cost pressures on national insurance systems are **creating a demand for new service models**

Many traditional medical and homecare services are **launching online services**

As **telemedicine becomes** more prevalent in Europe, pharmacists are working more closely with doctors

However, these new service models will require **significant investments** in technology and HR

The market for M&A activity gained momentum which is expected to continue through 2025 and 2026

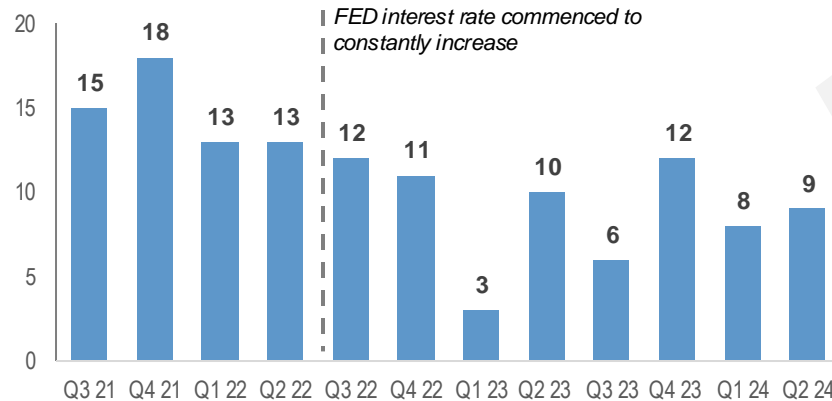
Before COVID-19 there was a *first wave of consolidation* driven by strategic buyers

Currently, the second wave is being driven by private equity sponsors *actively seeking platform and add-on acquisition targets.*

Our *interviews suggest that many market participants* are either considering selling a majority stake in their business or are actively searching for companies to acquire

Smaller businesses with revenues around EUR 10m reported being increasingly approached by interested larger parties

No. of M&A transactions in the Home Care Space in Europe**



M&A Trends

- The 2019 the first wave of consolidation already started.
- During COVID-19 pandemic it experienced its peak with regards to number of M&A transactions.
- Since Q2'23 the market is getting new impulses from private equity sponsors.

Following the increased M&A activity by number of transactions, the CRS industry team **presumes the beginning of a second consolidation wave** in the market for Home Care services.

The interviewed parties can be categorised into large enterprises with more than 200 employees and small businesses with fewer than 25 employees.

In three out of the five interviewed industry group, 65% of large enterprises reported having an **M&A strategy in place and indicated plans** to pursue opportunistic acquisitions over the next 18 months. Meanwhile, **45% of smaller businesses reported being increasingly approached by interested larger parties** seeking price indications and gauging their willingness to sell.

Outcomes and Learnings on M&A for 2024 and 2025

A growing health- and homecare market with robust profitability is driven the M&A appetite...

Dominating rationale for M&A within the medical houses and home care service firms is to increase market share and to strengthen national market position.

There is a notable activity among national companies funded by private equity firms, where a clear buy-and-build strategy is being pursued.

Profitability and market position consistently appeared to be key factors for the private equity-backed companies.

It is presumed that the sound market valuations for smaller firms are driven by the current buy-and-build strategy of private equities.

Interviewed Groups	Selection of Large Interviewed Parties	Presumed M&A Rationale
1 Medical Houses		<ul style="list-style-type: none"> Consolidation for market share and into geographical markets
2 Home Care Services		<ul style="list-style-type: none"> Market share and product expansion
3 MedTech Companies		<ul style="list-style-type: none"> Vertical expansion along the value chain with face to the customer option
4 Manufacturers		<ul style="list-style-type: none"> Vertical expansion along the value chain with face to the customer option
5 Pharmacy Wholesale		<ul style="list-style-type: none"> Broadening service offering

Our research and subsequent analysis revealed that, **interestingly, the groups of manufacturers and MedTech companies**, which already offer some services in the home care segment, have **no intention of increasing their acquisitions** in the home care service space.

However, there has been **notable activity among national companies funded by private equity firms**, where a clear buy-and-build strategy is being pursued.

In this context, larger players are considering smaller companies with revenues between **EUR 5 million and EUR 35 million as potential add-ons**. It is expected that this consolidation will continue for another 18 to 24 months.

Valuation Insights from Market Research and Interviews

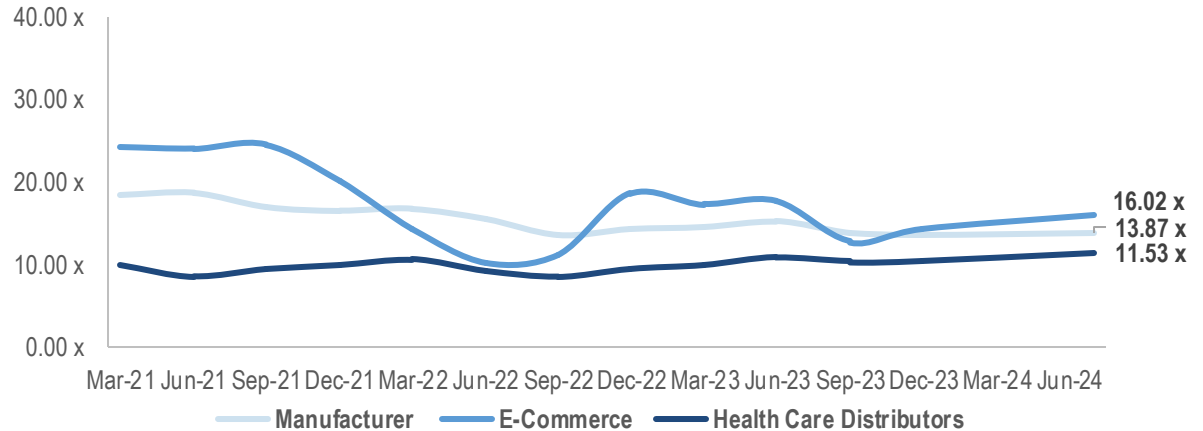
Market valuations are quite attractive for both large and smaller companies... factors such as growth rate, technology adoption, and operating income levels play a critical role

Comparable publicly traded companies are typically valued at EBITDA multiples ranging between 11.5x and 16x

Small add-on target companies in private equity buy-and-build strategies generally see valuation multiples between 6x and 8x EBITDA

Larger firms, with revenues exceeding EUR 30 million, leveraging advanced technology and strong operating income, can achieve EBITDA multiples of up to 14x in M&A transactions.

Indicative valuation of comparable publicly-listed companies



There are no publicly listed companies that fully represent the business model of European Home Care service providers. An approximation will be made by selecting **industry groups with similar target markets, comparable business models, operations, and other relevant factors.**

Based on **multiple interviews with stakeholders active in the European Home Care M&A market**, we have learned that target companies are typically valued based on their **operating income or EBITDA**. Smaller companies, with revenues up to EUR 30 million, tend to be valued at multiples **ranging from 6x to 9x EBITDA**.

Larger companies, depending on factors such as revenue level, growth rate, technology adoption, and operating margin, may achieve EBITDA multiples of up to 12x to 14x.

Blue Tree’s Sector-sector approach allows it to cater its services to clients of all sizes... such as financial sponsors, large group companies and mid-sized companies

Financial services include **M&A advisory**, as well as growth equity capital and debt advisory

Boutique-style advisory services require deep sector knowledge and reliable relationships into relevant core Industry sectors

Blue Tree Group focuses on **technology-enabled business models**, catering its service by fully experienced **industry teams**:

- > Technology & Software
- > Consumer, Retail & Services

Headquartered with 8 professionals in Munich, Germany

Strong sector and buyer network with recurring transactions in selected industries

Consumer, Retail & Services Industry Sector Team

Consumer and Retail

Target Focus

- Revenue: >EUR 30m
- EBITDA: >EUR 5m
- Deal Value: >EUR 50m

Services

Target Focus

- Revenue: >EUR 20m
- EBITDA: >EUR 3m
- Deal Value: >EUR 30m

Focus

- Key clients recruits from the European mid-market with a focus on niche markets
- Our industry sector team best understand products and markets
- Advise in international m&a and financing transactions

Technology & Software Industry Sector Team

Technology

Target Focus

- Revenue: >EUR 25m
- EBITDA: >EUR 3m
- Deal Value: >EUR 25m

Software

Target Focus

- ARR: EUR 1-10m
- EBITDA: n/a
- Deal Value: >EUR 30m

Focus

- Focus on venture capital industry and small high-tech companies in Europe
- Our industry team commands a strong relationship to US and European tech buyers
- Deep software knowledge

Blue Tree's Sector-sector approach allows it to cater its services to clients of all sizes... such as financial sponsors, large group companies and mid-sized companies

Blue Tree Group commands a **strong track record in international m&a transactions**

In the last five years we advised **multiples publicly listed companies on valuation projects and financial modelling projects**

Due to our strong product and market understanding BlueTree has been engaged in more **than 50 Market Sounding projects to best prepare clients and its investments for a later M&A exit process**

Out industry sector approach is the key to **swift transactions with compelling exit multiples**

Consumer, Retail & Services Industry Sector Team

M&A Transactions

- Advising on the executing of buy- and sell-side transactions
- Many years and valuable experience in international M&A advisory

Debt Advisory

- Structuring and execution of debt origination from banks or alternative funding sources.
- Strong expertise in acquisition financing

Growth Capital Advisory

- Structuring and execution of equity financing from private equity, venture capital and family offices
- Compelling track record for funding rounds of ca. EUR 20m in Europe

Technology & Software Industry Sector Team

Market Sounding

- More than 50+ projects completed for private equity and venture capital
- Exit readiness by screening and interviewing potential buyers globally

Valuation

- Completion of multiple valuations for enterprises, including publicly listed companies.
- need for a compreh. understanding of product markets

Screening

- Strong capabilities of screening potential target companies
- Strong understanding of product and markets
- Multiple projects completed

Selected Transactions of the CRS Industry Sector Team

M&A Transactions in the Consumer, Retail & Services Industry Sector

 has been acquired by 	Strategic partner has been acquired by 	 has been acquired by 	 has been acquired by
 has been acquired by 	 has been acquired by 	 a group company of has been acquired by 	 IF YOU LOVE PETS has been acquired by Verwaltungs-gesellschaft GmbH

Financing Transactions in Consumer, Retail & Services Industry Sector

 on its fundraising 	 on its debt financing 	 on the debt financing of its portfolio company 	 on its debt financing
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In recent years, Blue Tree Group successfully acted as the exclusively financial advisor in *international m&a sell-side transactions for shareholders based in France, the Netherlands, Switzerland, Austria and Germany*

Our clients are private equity sponsors, large enterprises and fast growing mid-sized companies

Blue Tree Group also advised in bank growth financing and acquisition financing transactions in Germany and Switzerland

Selected Valuation Projects of the CRS Industry Sector Team

Valuation Projects in the Consumer, Retail & Services Industry Sector

Due to Blue Tree Group's deep understanding of products and industries, it is frequently hired as the preferred valuation advisor for niche and tech-enabled businesses.

Our clients, both private and publicly listed enterprises, highly value our expertise in products and markets, which significantly enhances their valuations.

Our industry sector team consists of highly skilled professionals with extensive experience in financial modelling and a broad expertise in m&a and private-market financing transactions.


 BLUE TREE GROUP
INVESTMENT BANKING



 on a pre IPO
valuation


 BLUE TREE GROUP
INVESTMENT BANKING



 on a m&a
exit valuation


 BLUE TREE GROUP
INVESTMENT BANKING


 Südwestdeutsche Medienholding

 on a m&a
fairness opinion


 BLUE TREE GROUP
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 on a
m&a valuation


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 Valuation of the
publicly listed
Krypto AG


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 on a strategic
valuation project


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 GIESDORF
VED BÜROFFICE

 on a m&a
exit valuation


 BLUE TREE GROUP
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 on a m&a
exit valuation

Given the wide range of fields within the Technology & Software Industry Sector, Blue Tree has a broader understanding and investigates adjacent subindustries

Typical Situation of the Company

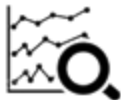
- The company has only achieved a mediocre performance since the initial investment and the investors are not sure how to exit successfully
- The targeted holding period is coming to an end, but the exit road is still unclear



Key Questions

Valuation

- What are the typical **valuation** levels in the respective industry?
- Which valuation has been **payed** in the past **by interested parties**?



Timing

- Is the **m&a industry active** and is the Company ready for a successful m&a process?
- When is the **best timing to kick-off** an m&a process?



Interested Buyers

- Who would be the most **interested parties** in an m&a process?
- Which **industry groups** show disproportionate interest?



Motivations

- What are the **typical motivations** for an acquisition?
- Is there additional **strategic value**, resulting in a **strategic premium**?



- BTG's Market Sounding is specifically designed to solve these problems prior to a real m&a process.
- By identifying both **pain points** and **value drivers** it allows for a significantly **higher transaction multiple** and **closing probability** compared to conventional impromptu m&a processes.

Over a period of 4-6 weeks, a Market Sounding identifies the key value drivers gives detailed insights for potential next steps in the situation the Company is facing

- Usual candidates for a Market Sounding are portfolio holdings, which are planned to be exited in the near future.
- Often, different routes are possible, but Management & Shareholders are uncertain about the right choice.
- Example of a typical question: Additional Capital or Disposal Process?
- To understand the business model & the situation holistically, BTG provides an information request list
- The Management together with BTG defines key questions, the client wants to have answered
- An anonymized teaser document will be drafted, displaying the Company
- BlueTree compiles the information gathered into a precise report containing:
 - ✓ Insights from interviews
 - ✓ Indicative Valuation
 - ✓ Identifying market trends and value drivers
 - ✓ Comparable transactions
 - ✓ Recommendation for Mgmt and Shareholders

