



Liz Jones

## Growing pains? ISIS may have the cure...

**There is no doubt that the healthcare sector has been and will continue to be a rich seam of investment opportunity for the private equity sector. Plurality of service provision remains on the government agenda, underpinned by a focus on patient choice and improvements in commissioning across primary, secondary and social care.**

In the last decade, the healthcare industry has experienced a revolution. Independent firms have become integral to the delivery of healthcare services in the UK and private equity has played an increasingly active role in supporting them. The industry has witnessed the rise of a new breed of entrepreneur, who in many cases is an individual delivering services into their former employer in a new, a more efficient or improved way.

These entrepreneurs bring a number of qualities to the sector, not least their ability to combine strong commercial drive with a passion for high quality and service standards. They understand that profitability enables re-investment in their business, which in turn ensures that standards of care can be maintained and developed. As a result, the healthcare industry has seen a proliferation of growing businesses delivering innovative services into new and emerging sectors.

ISIS is equally passionate about working with growing businesses in the healthcare sector and has a track record of successful partnerships to bear this out. Care Management Group, Independent Living Services, Paragon UK – all growth businesses, where ISIS has worked in partnership with founders or healthcare entrepreneurs to build businesses that are founded on principles of quality and built to respond to the changing needs of the national and local marketplaces in which they operate.

ISIS' experiences in this sector support its belief that there is no conflict between building a commercial operation and having a strong focus on quality. It is therefore fundamental to our investment philosophy that we align our views and interests with the businesses and individuals we are partnering. The delivery of high quality care and services is paramount and more often than not, it will involve a significant investment of both time and money in the business.

Private Equity has long been surrounded by myth. The media often presents the industry as solely focused on boosting companies' short-term financial performance

through cost and headcount reductions rather than offering understanding, investment and development. But, as ISIS has demonstrated, this assumption is flawed.

Any healthcare entrepreneur in search of financial backing should look for a partner that displays a deep understanding of the unique pressures and complexities of running a business in the healthcare sector. Equally, any private equity firm hoping to operate in this sector must demonstrate its commitment to investing in and developing a company rather than focusing on its bottom line.

All business experience growing pains – however, overstretched management teams and businesses in the healthcare sector can have serious repercussions. By working in partnership with management teams, we look to identify problems early and resolve them. It is critical that growing businesses have the right infrastructure in place to avoid being exposed at a later date. ISIS support the management teams to focus on matters such as HR, training, marketing and business development, building strategic relationships with key customers, and keeping ahead of changes in regulation.

Underlying our approach to investment is a commitment to supporting sustained growth - which can be either organic or acquisitive led. However, acquisitions are only worth pursuing when they fit with a strategic plan and do not confuse the core service offering. Care Management Group, is a prime example of ISIS supported a growing business can support and advance firms within the healthcare sector. ISIS invested in the business in March 2003, when it had 44 homes, 330 service users and an annual turnover of around £18m. It has since completed seven acquisitions and developed 20 new homes. As a result, it now provides care and support to over 600 individuals, has over 100 homes and reported a turnover of around £40m for the last financial year.

In the last 12 months, we have continued to build our portfolio of healthcare investments and have made two successful investments in the Primary Care market – ScriptSwitch and Williams Medical Supplies. Both are fast growing businesses delivering compelling, service led propositions into the market.

Liz joined the new investment team at ISIS in 2001. Her completed investments include Care Management Group, MORI, SLR and Martin Audio. She remains actively involved in the buy-and-build programmes for Care Management Group and SLR, having completed four acquisitions with these investees over the last two years. After graduating with a degree in history from Cambridge, Liz spent seven years with Barclays, the last four within Barclays Ventures. During this time, she completed eight private equity investments across a number of industry sectors, and managed three of these through to successful exit.

ScriptSwitch is a specialist software provider which has developed a sophisticated medicines management tool that delivers consistency and conformity in prescribing, whilst quantifying and reporting on cost savings. The proposition is compelling. If rolled out across the NHS it would save around £450m on the drug budget. Selling the product is not the issue – building a robust operational platform capable of delivering, servicing and maintaining the product for PCT customers is the key challenge. Management recognized this challenge and brought ISIS on board to help.

Williams Medical Supplies (WMS) is also focused on the primary care market, but as a supplier and distributor of consumables, equipment and pharmaceuticals to around 11,000 customers, including GPs, pharmacies, family planning clinics, nursing homes and the NHS. Although a more mature business than ScriptSwitch, the business is growing rapidly and ISIS continues to work with management to put the necessary building blocks in place to support the next phase of growth.

ISIS' commitment to investing in the healthcare sector and to growing businesses within it is without question. By working in partnership with our management teams, we hope to diagnose problems early and then working to put in place the infrastructure and controls to stop issues arising in the future – we are offering “preventative care for growth businesses.”