



CORPORATE FINANCE

APRIL INSIGHTS PAPER: AT-HOME TESTING

Individuals are taking control of their own health, and they're doing it from the comfort of their own homes

Market overview



The At-Home Testing industry is a rapidly growing sector with projected sustainable growth, offering an attractive proposition to potential investors



Following the Covid-19 pandemic, consumers have increased confidence in At-Home Testing, leading to a surge in demand for at-home diagnostic solutions



Individuals are increasingly prioritising their ongoing wellbeing, with a greater focus on prevention and early detection, also contributing to an upwards market trend



Technological advancements have enabled At-Home Testing businesses to provide more efficient and better quality solutions, alongside wider TeleHealth platforms to more broadly support their customer base

The global At-Home Testing market is projected to reach \$19.4 billion by 2032¹



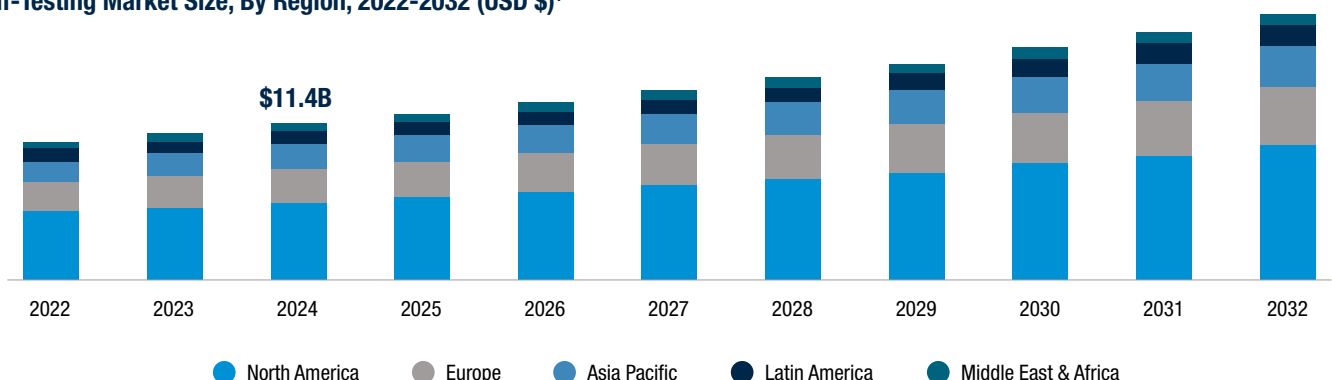
The Consumer Health market, driven by key market tailwinds, is of scale and growing. Across the four largest geographies, the market was estimated to total \$202bn USD in 2023 and is expected to grow significantly to \$243bn in 2027².

This is driven by a societal shift with consumers becoming increasingly aware of their health and wellbeing needs and looking to take control and proactively manage their health where possible.

More specifically, the global At-Home Testing market is projected to grow from \$11.4bn in 2024 to \$19.4bn by 2032.

Self-Testing Market Size, By Region, 2022-2032 (USD \$)¹

\$19.4B



Source: ¹Polaris Market Research, ²Euromonitor, A&M analysis



At-Home Testing market dynamics



There are a few key themes that are shaping the growth within the At-Home Testing sector. These include:

Acceptance

- At-Home Testing is becoming more accepted by healthcare providers and consumers.
- This is partially due to the Covid-19 pandemic, during which the public became more comfortable with the idea of self-testing at home, and is also due to the increasing range, effectiveness and accuracy of the tests themselves.

Convenience

- At-Home Testing offers a convenient and private way to get tested for a variety of conditions.
- This is especially appealing to people who are busy or who have difficulty getting to a doctor's office within usual working hours.
- It also plays into the megatrend of people ordering online for home delivery rather than visiting a vendor in person.

Affordability

- In the US, and especially for those with limited health insurance, the self-testing option can be more affordable than traditional doctor's visits.
- Within the UK, NHS waiting lists are increasing, consumers are looking for private solutions and many are looking to self-testing options as a cost-effective and efficient option before using traditional private primary care providers (such as Nuffield/ Spire) that they may have turned to previously.

Unmet market needs

- There are many health issues being underserved in the current market, for example from a food intolerance perspective, this is a hugely underserved market. 45% of the adult population are estimated to be affected by a food intolerance. However the NHS does not currently recognise food intolerances, meaning customers must look for private health and wellness solutions.

Shifting consumer behaviours

- Consumers are now increasingly interested in monitoring their own health, meaning they are prioritising prevention and early-detection. This behavioural shift alongside the increasing availability of health information online has stimulated an increase in demand for At-Home Testing kits that give consumers greater insights into their ongoing health.

These tailwinds suggest that the At-Home Testing market is set to experience robust growth in the coming years, making it an attractive investment opportunity for both Financial Sponsors and Strategic Acquirors.

M&A activity



M&A activity within the Consumer Health sector has predominantly been driven by transactions in healthcare services, such as clinics and outpatient services, TeleHealth, At-Home services (e.g. home diagnostics), and elderly and complex care.

2021 was a record year for Consumer Health M&A activity, driven by rising consumer interest in self-care post Covid-19, strong capital markets and tailwinds supporting healthcare market growth. In 2022, Consumer Health M&A activity declined due to macroeconomic factors including decreased consumer spending and higher interest rates.

However, in the last 18 months, the self-testing and diagnostic sectors have witnessed growing levels of M&A activity as a result of recent industry shifts as illustrated above, and as well

as the pandemic which further accelerated the adoption of At-Home Testing kits. This has resulted in an increased focus on and investment into businesses that specialise in these areas. It has also stimulated further diversification of product portfolios internally for larger healthcare and consumer brands.

The US has dominated overall deal volumes in recent years, with the UK in second place. Both geographies have experienced high levels of M&A in both 2022 and 2023 within the sector, with Asia also seeing M&A volume growth over the past 18 months.



Selected precedent transactions



Date	Target	Acquiror	Deal rationale
Dec-23	invivo	MICROBA	Expand international testing services and gain access to the UK's private practice and NHS healthcare markets.
Jul-22	 yorktest	nvm	Support YorkTest's product range expansion and growth into new markets.
Mar-21	  pwnhealth	everlywell	Following a long-standing partnership, Everlywell acquired PWNHealth and Home Access Health Corp, with the aim of expanding its lab testing and phlebotomy services.
Oct-19	Preventx.	 SYNOVA	Since investing, Synova has helped Preventx expand its services into the US and EU both through acquisitions and organic growth.

Source: A&M Analysis

Current trading multiples and recent M&A activity in the Consumer Health, Lab Testing & Diagnostics and wider MedTech & TeleHealth sectors show a resilient market with strong demand for high quality assets.

Comparable listed companies and key recent transactions show a strong market, supported by the tailwinds mentioned earlier such as consumer shifts towards ongoing wellbeing and the increased focus on At-Home Testing triggered by the pandemic. This has, in turn, stimulated demand from both Financial Sponsors and Strategic Acquirors.

Given the relative nascency of the At-Home Testing market, for the purposes of this analysis, we have focused on companies that are leading global businesses within the Consumer Health, Lab Testing & Diagnostics and wider MedTech & TeleHealth sectors.

Interestingly, many larger listed companies are separating out their own Consumer Health brands, highlighting the growing focus on this sector. For example, Johnson & Johnson spun off its Consumer Health brand Kenvue in Aug-23, which now trades at an EV/EBITDA multiple of 11.8x, and GSK and Pfizer merged their Consumer Health brands in 2019 to form Haleon, which now trades at an EV/EBITDA multiple of 14.7x.

Selected public comparables



Company	Market Cap (£m)	Enterprise Value (£m)	Implied EV/EBITDA multiple
Reckitt Benckiser Group	39,392.5	47,030.5	12.0x
Kenvue	29,844.3	35,772.3	11.8x
Haleon	30,261.7	39,967.7	14.7x
Synlab	1,890.8	2,999.7	12.2x
Eurofins	8,531.3	10,844.5	10.2x
Sonic Healthcare	7,508.9	8,807.8	12.6x

Source: A&M analysis, as at 19 March 2024

Buyer landscape



Buyer Group	A&M view on acquisition capacity	Rationale	Examples of recent acquirors
Corporate: Consumer Health		<ul style="list-style-type: none"> Market consolidation with potential access to new geographies, as well as offering the opportunity to expand product suite, facilitating cross selling opportunities 	
Corporate: Diagnostics		<ul style="list-style-type: none"> Access a new route to market and opportunity to capture customers at an earlier stage of their journey Provides opportunity to broaden capabilities and product offering 	
Private Equity		<ul style="list-style-type: none"> Healthcare businesses are highly desirable to a range of financial investors given the high-growth industry profile with large market opportunities The mid-market self-testing landscape is fragmented, with many smaller players, creating further opportunities for bolt-on acquisitions and consolidation for PE-backed trade buyers 	

Key case studies



At-Home Testing businesses are increasingly forging strong partnerships in order to expand their geographic reach, gain access to a wider customer base, and extend their product offering. We have highlighted a few recent case studies below that put a spotlight on these types of partnerships.

Retail over-the-counter (OTC) pharma partnership	 	<p>In June 2023, Thriva announced a two-year partnership with Superdrug to bring its diagnostic testing to Superdrug Health Clinics across the country. The partnership has enabled Superdrug to offer Thriva's health diagnostics as part of its in-clinic health testing, providing customers with personalised health reports and advice from GPs based on test results.</p>
Digital health partnership	 	<p>In May 2023, Cerascreen, an at-home health testing company, and Delve Health, a virtual health tech firm, joined forces to create a "one-stop solution" app. Delve's customisable platform integrates with Cerascreen's at-home tests, allowing users to track health data, analyse the results, get personalised insights, and even connect with healthcare professionals.</p>
Wider retail partnership	 	<p>In February 2023, Tesco partnered with Newfoundland to sell its tests in more than 500 Tesco stores. Newfoundland is a medical provider that distributes self-diagnostic tests, providing results in a matter of minutes. This is one of the first times that self-diagnostic test kits for widespread health conditions have been available at a major UK retailer.</p>
NHS partnership	 	<p>In October 2019, Preventx and SHL launched a partnership to provide people with a discreet and convenient way to access sexual health testing and treatment while undertaking the initial tests in the privacy of their own homes. Preventx provides the online platform and dedicated laboratory testing, and works in partnership with the NHS and local authorities.</p>



Sector outlook



Increased consumer focus on lower cost ongoing health-tests such as annual health checkups

With consumers showing increasing confidence in self-testing, at-home test kits are becoming a popular and more convenient alternative to visiting clinics. For testing providers, self-test kits represent a more economical option when compared to the costs associated with in-person sample collections. It is also a more cost-effective solution for the end-customer.

Market trends expected to shift further towards more personalised tests

As consumers continue to focus more on their own health and wellbeing, there has been an increased focus on personalised health, which in turn has led to a more personalised approach to tests for both diagnostic and wellbeing needs, in order to allow for more tailored lifestyle advice.

Cross-sell opportunities, with an increased focus on the wider customer journey

To retain customers and further support consumers on their wellbeing journeys, businesses are exploring complementary products and services, including vitamin and OTC pharmaceutical product recommendations alongside follow up appointments with specialists.

Technological advancements enabling At-Home Testing platforms to diversify

In line with the wider digitalisation of the healthcare industry, operators in the At-Home Testing market will look to continue to broaden their service offering beyond their current model, using technology to provide a more holistic approach to consumer's health, enabling them to become more aligned to a TeleHealth or wider wellbeing platform.

Push towards wider diagnostics through lab ownership and further regulatory approvals

At-Home Testing businesses will increasingly seek out opportunities to bring their lab-capabilities in-house, allowing them to take further control of both the quality of and timeframe in which they deliver results.

Increased levels of M&A activity due to market potential

Transaction volumes will continue to accelerate, with particular interest from both Financial Sponsors and Strategic Acquirors in companies showing repeat revenue, diversified B2B and B2C revenue channels and wider tech-enabled TeleHealth platform developments.

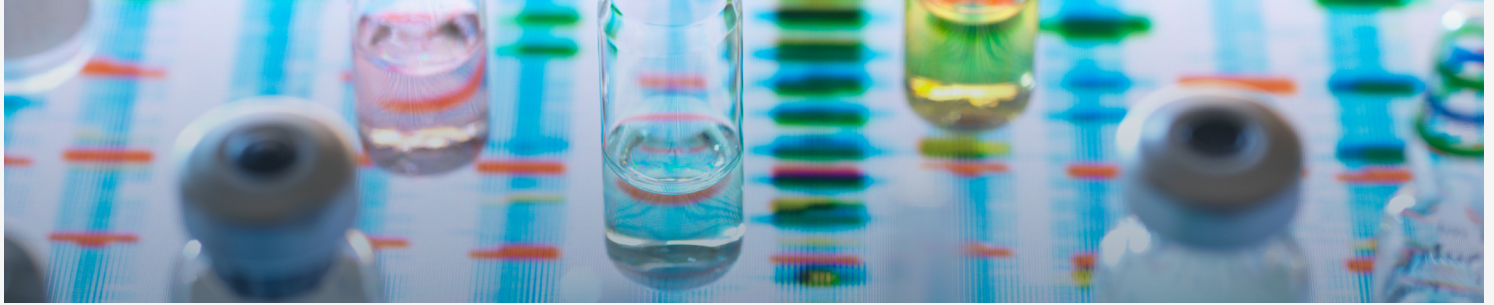
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