

# Outlook in the EU: PE has Ophthalmology Sector in its Sights

Across Europe, private clinics and specialist outpatient healthcare providers such as ophthalmology practices have seen a wave of consolidation, which has led to the emergence of several pan-European and more local platforms. However, nearly 70% of all ophthalmology treatments are still performed by independent providers who work in smaller practice set-ups.

Since the market remains highly fragmented, there are still ample opportunities for private equity (PE) firms to acquire significant positions in the ophthalmology sector through mergers and acquisitions (M&A).<sup>(1)</sup>

## Global industry drivers

**Aging population and increase in comorbidities:** Increasing average age of patients and a higher prevalence in conditions such as diabetes with eye-related comorbidities are driving demand for ophthalmic treatments.

**Uptick in screen time:** COVID-19-induced increase in screen time combined with sociodemographic developments leading to a healthier and more convenient lifestyle of the younger generation are fuelling the market for elective surgical laser vision correction despite this procedure attracting no reimbursement from payors

**Technological advancements:** Investments in medical and operational technology infrastructure significantly increase the quality of the treatments but at the same time also offer efficiency gains.

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**Market density:** This creates economies of scale, increases leverage with payers, expands brand recognition and helps with physician recruitment.

**Diversifying:** Some platform operators are also seeking to broaden their offerings beyond publicly reimbursed cataracts and to explore ancillary revenue streams through co-location or vertical integration with optometrists and opticians that provide cross-referral opportunities and a comprehensive solution for patients

## Ophthalmology landscape

**Diverse landscape:** In Europe, ophthalmology is characterized by a diverse landscape, where service delivery models significantly vary among countries, influenced by historical, regulatory, and economic factors that shape the healthcare system in each country.

**Cost pressures:** Cost and wage inflation as well as increasing administrative burdens, put significant pressure on smaller independently run practice set-ups and leads to ophthalmologists being distracted by non-medical admin-related tasks.

**Staffing shortages:** Increasingly shortage of skilled labor, including physicians, nurses and others, driven by the rising average age of surgeons, fewer graduates, more risk averse generations looking for employment rather than ownership and an increasing share of part-time workforce.

**Reimbursement dynamics:** Reimbursement dynamics vary significantly across countries in Europe based on the different healthcare (insurance) systems. However, regulators are all focused on increasing efficiency and cutting healthcare expenditures putting significant pressure on the respective systems.

## Rationales for larger practices groups and consolidation

Impact from demographic developments is driving the increase in the average age of physicians and an increasing number of physicians seeking an exit from their practice

Diversifying revenue streams and de-risking exposure to single healthcare system larger platforms are increasingly looking to internationalize.

Ability to build support functions in larger platforms enables physicians to re-focus on medical work and the treatment of patients rather than handling administrative tasks.

Larger practice groups can offer significant benefits to physicians, including employment rather than ownership or a mix of both, more flexible working quotas, interdisciplinary exchange. between specialists, improved referral management, continuous education, and attractive career opportunities, resulting in the ability to attract and retain talents.

Increased negotiation power with authorities and payors as well as favorable contracts with health insurance companies.

Faster appointments and significantly improved medical outcomes for patients driven by improved tracking of KPIs, quality control and more structured processes.

“**nearly 70% of all ophthalmology treatments are still performed by independent providers**”

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## Lincoln International's involvement in recent deal activity

Optegra, a leading European ophthalmology platform headquartered in the UK, is a prime example of how private equity investor can support ophthalmology practice groups to achieve market-leading positions and accelerate geographic expansion via cross-border acquisitions.

Following the investment by H2 Equity Partners in early 2021, Optegra has grown significantly through an improvement of the operational setup, an increase in efficiencies, greenfield investments in the UK and via acquisitions in Poland, the Czech Republic, and Slovakia before it was [sold to MidEuropa in 2023](#).

### Lincoln Perspective

When considering a potential platform investment to pursue a buy-and-build strategy, private equity investors will need to carefully evaluate the regulatory environment and the strength of the respective healthcare system as well as the positioning of the acquisition target within its respective markets.

Regulators are closely monitoring provider services M&A activity and are expected to act on any deals that may disrupt access to or increase the price of medical treatments for patients.

Whilst the overall healthcare M&A activity in Europe remained resilient in 2023, deal volumes and values in the healthcare provider services sector declined compared to 2022. One of the main drivers was the uncertain regulatory environment in certain European countries (e.g., France, Germany, Switzerland). While headwinds such as high-interest rates and regulatory scrutiny remain, investors and lenders are increasingly able to deal with issues related to the dynamic environment in healthcare.

Despite the macroeconomic headwinds in recent years, the global ophthalmology sector drivers remain exceptionally strong and will inevitably lead to further consolidation.

Based on a continuous dialogue with major players in the ophthalmology sector, the global healthcare team at Lincoln International expects an uptick in M&A activity in the next few years and continues to see the ophthalmology sector as an attractive sector to invest in.

Please contact your local Lincoln healthcare professional to learn more about our key insights and how we can support you in maximizing the value of your business.

*(1). O'Donnell EM, et al. The Growth of Private Equity Investment In Health Care: Perspectives From Ophthalmology. Health Affairs. 2020;39(6).*

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