

Private Equity and Venture Capital: Market insights

Industry overview		Facts to know	Reports and resources
Est. market size ('18)¹:	\$717B	<ul style="list-style-type: none"> North America accounted for ~50% of global buyout deal value in 2018² High multiples, lack of quality assets, and competition are the biggest challenges for dealmakers² US VC funding decreased 36% in Q1'19 after record funding in Q4'18⁴ Internet continues to lead VC funding at \$10.6B in Q1 2019⁴ 	<ul style="list-style-type: none"> Bain & Company Global Private Equity Report 2019 Pitchbook US PE Breakdown, 1Q19 PitchBook 2019 Private Equity Outlook PwC Q1 2019 MoneyTree Report
Est. CAGR ('18-'23):	n/a		
Est. market size ('23):	n/a		
Est. margin (IRR) %²:	10-15%		
Est. # of firms³:	~10K		
Est. # of firms (TX)³:	~550		

Top industry insights

- **Deal flow shrinking:** Transaction volume is down slightly though value is on the rise; in 2018, the number of individual transactions dropped 13% but total value rose 10%²
- **Strategic deals dominant:** Strategic deals (sales from PE firms to corporate buyers) are dominating the market (60%+) as large companies attempt to build capabilities²
- **Prices relatively high across industries:** Median EV/EBITDA multiple in the 11-12x range (up from ~10x in 2015)²
- **Buy-and-build continues to dominate:** Add-ons accounted for 71% of deals in 1Q19; we have also seen this with our clients (e.g., Convergent, UPM)²
- **Strategic value creation critical:** Strategic value creation capabilities increasingly important

Non-Hospital Healthcare: Market insights

Industry overview		Facts to know	Reports and resources
Est. market size ('18):	\$1.2T ^{1,2}	<ul style="list-style-type: none"> ▪ Tech-enabled healthcare is projected to be the fastest growing segment at 26% from 2018 to 2021⁶ ▪ Per-person healthcare spending varies from \$11,674 in the US to as little as \$54 in Pakistan in 2022⁵ ▪ Global life expectancy is expected to increase from 73.5 years in 2018 to 74.4 years in 2022⁵ 	<ul style="list-style-type: none"> ▪ Deloitte's 2019 Global Health Care Outlook ▪ Global Wellness Institute's Global Wellness Economy report ▪ RWA's Global Wellness Industry Outlook 2019
Est. CAGR ('18-'23):	2.3%		
Est. market size ('23):	\$1.4T		
Est. margin %:	5-10%		
Est. # of firms³:	~350K+		
Est. # of firms (TX)³:	~22K		

Top industry insights

- **Non-hospital growth comparable to hospital:** Non-hospital healthcare growth has been in line with hospital growth at 3.2% CAGR vs. 3.1% CAGR over the past 5 years (respectively); however, VBC initiatives (e.g., moving patients out of hospital) a major future focus area²
- **Shift in investor focus:** Investors increasingly focusing on hospital-based specialties that can be outsourced as a low-cost alternative to hospitals⁴
- **VBC critical to growth:** Outcomes-based financial model / data infrastructure to maximize VBC pathways will be fundamental to many health systems' sustainable growth⁵
- **Health and wellness is top of mind:** Health and wellness is a growing concern for both individuals and companies, (e.g., 76% of employers offering specialized wellness programs)

SaaS / Digital / Tech: Market insights

Industry overview		Facts to know	Reports and resources
Est. market size ('18):	\$248B ^{1,A}	<ul style="list-style-type: none"> Across companies, the average employee uses at least 8 apps⁶ The average organization spends \$8,520 annually on orphaned apps no longer in use⁶ Mid-sized companies changed 39% of their SaaS apps between 2017-18, higher than tech employee churn⁶ 	<ul style="list-style-type: none"> Blissfully 2019 Annual SaaS Trends Report Finances Online 2018 SaaS Industry Market Report Deloitte 2019 Technology Industry Outlook
Est. CAGR ('18-'23):	2.4%		
Est. market size ('23):	\$279B		
Est. margin %:	25-35% ²		
Est. # of firms³:	~166K+		
Est. # of firms (TX)³:	~10K		

Top industry insights

- **SaaS growth accelerating:** Software as a Service (SaaS) growth outpacing overall software average; globally, SaaS expected to grow at a 21.4% CAGR to \$186B by 2024⁴
- **Shift to online operations:** Companies continue shifting their data towards online operations, with 73% of organizations saying nearly all their apps will be SaaS by 2020⁵
- **Corporate SaaS adoption booms:** SaaS spend / adoption has rapidly accelerated across all company sizes since '14 with the average company spending \$343K on SaaS in '18, up 78%⁶
- **Increasing corporate spend on SaaS:** Companies spend more on SaaS (\$2.9K) than laptops (\$1.3K) per employee; as companies pivot to SaaS, this spending gap likely to widen
- **Rise of AI/ML:** AI / ML will continue to disrupt; may soon become the key industry challenge

Sources: (1) IBIS World industry report, "Software Publishing", Feb 2019, (2) CSI Market, Industry Profitability, Software and Programming (3) LinkedIn (4) Marketwatch, "SaaS: Global Market Analysis & Forecast (2018-2024)" (5) Finances Online 2018 SaaS Industry Market Report (6) Blissfully 2019 Annual SaaS Trends Report"

Notes: (A) Includes overall software industry; excludes tech consulting / Training and Re-sale of computer hardware and software

Social Sector: Market insights

Industry overview		Facts to know	Reports and resources
Est. market size :	\$985B ^{1,A}	<ul style="list-style-type: none"> 70% of donors research a charity’s financial efficiency before donating⁵ 25.1% of US adults volunteered in 2017, contributing 8.8B hours valued at \$195B¹ 17% of millennials have given via a social channel, with a projected increase for younger generations⁵ 	<ul style="list-style-type: none"> Urban Institute, The Nonprofit Sector in Brief 2018 McKinsey Insights, “What social-sector leaders need to succeed” Blackbaud: The Next Generation of American Giving
Est. CAGR (’18-’23):	n/a		
Est. market size (’23):	n/a		
Est. margin %:	n/a		
Est. # of firms²:	~28K		
Est. # of firms (TX)²:	~1.5K		

Top industry insights
<ul style="list-style-type: none"> Quantifying goals guides strategy: Critical to develop quantitative measures of impact (not just funding, etc.), which can often be hard to quantify; setting targets around outcomes can help guide the overarching strategy, programs, and deployment of funding Nonprofit leadership gap: Chronic underinvestment in leadership development combined with rapid growth in number of nonprofits has created a gap between leader needs and capabilities⁴ Increase in private contributions: Giving to nonprofits is up significantly in recent years; private charitable contributions equal to \$410B in ‘17, up from \$299B in ‘11 (5% CAGR)¹ Accelerated growth opportunities: Opportunities to catch up with industry; historically, social sector has lagged behind in terms of innovation, tech etc. with few notable organizations (e.g., Gates) leading³

Sources: (1) Urban Institute, “The Nonprofit Sector in Brief 2018” (2) LinkedIn (3) Stanford Social Innovation Review, “A new paradigm toward a user-centered social sector” (4) McKinsey Insights (5) Blackbaud: The Next Generation of American Giving
 Notes: (A) Data represents 2015 (latest available); social sector markets not robustly / frequently reported on