



Healthcare Business Acquisition Preparation
Checklist

June 2025

Executive Summary

This comprehensive checklist guides healthcare businesses through essential preparation steps for search fund acquisition. Designed for hospitals, clinics, diagnostic services, and specialty providers, it addresses universal requirements while allowing sector-specific customization.

The checklists which follow are suggested to be implemented in sequence in phases over 6-12 months before planned sale. For demonstration purposes, we have used the homecare company with £10m in annual revenue as an example throughout this checklist.

1. **Financial Foundation** (6-9 months prior)
 2. **Regulatory compliance audit** (4-6 months prior)
 3. **Operational documentation** (3-4 months prior)
 4. **Due diligence preparation** (2-3 months prior)
 5. **Strategic positioning** (1-2 months prior)
 6. **Final transaction readiness** (30 days prior)
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Phase 1: Financial Foundation (6-9 Months Prior)

Search funds prioritise predictable cash flows and defensible margins

Core Financial Metrics

Metric	Target	Rationale
EBITDA Margin	15-25%	Signals operational efficiency and scalability - key for 5-7x valuation multiples
Revenue Growth	10-15% CAGR	Demonstrates organic growth potential without heavy capital infusion
Days Sales Outstanding	≤45 days	Indicates efficient billing/collection - critical for cash flow projections
Recurring Revenue	≥70%	Reduces acquisition risk through predictable income streams

Essential Documentation:

- 5-year audited financials with normalized EBITDA (remove owner perks)
- Revenue analysis by source: NHS/HSE contracts, private insurance, self-pay
- 13-week cash flow forecasts aligned with payer cycles

Why It Matters:

Search funds use these metrics to assess debt service capability and growth potential. Consistent performance across economic cycles increases valuation premiums.

Phase 2: Regulatory Compliance (4-6 Months Prior)

Non-negotiable requirements for healthcare transactions

Critical Compliance Areas

1. CQC/HIQA Ratings

- Minimum "Good" rating (deal-breaker if "Inadequate")
- Resolved all improvement notices from last 3 inspections

2. Professional Registrations

- GMC/NMC/HCPC (UK) or Medical Council/NMBI (Ireland) validation
- DBS checks for all patient-facing staff

3. GDPR Compliance

- Documented Data Protection Impact Assessments
- Breach response protocol with 72-hour notification capability

Why It Matters:

Regulatory liabilities can derail deals. 78% of failed healthcare acquisitions cite unresolved compliance issues (2023 M&A Health Sector Report).

Phase 3: Operational Excellence (3-4 Months Prior)

Demonstrate institutionalised quality systems

Key Requirements

- **Clinical Protocols:** NICE/regional guideline alignment with audit trails
- **Technology Systems:**
 - EHR interoperability with NHS/HSE systems
 - Cybersecurity certifications (ISO 27001/Cyber Essentials+)
- **Staff Competency:**
 - Training matrices with CPD tracking
 - Succession plans for key clinical roles

Performance Benchmarks

KPI	Target
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Patient Satisfaction	≥90%
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Staff Retention	≥85%
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Clinical Incident Rate	≤2%
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Why It Matters:

Institutionalised operations reduce key person dependency - 63% of search funds require proven management redundancy before bidding.

Phase 4: Growth Strategy Documentation (1-2 Months Prior)

Articulate post-acquisition value creation

Investor-Ready Growth Levers

1. Service Expansion

- Adjacent clinical services with existing capabilities
- Technology-enabled care models (telehealth, AI diagnostics)

2. Market Penetration

- Underserved geographic regions within ICS/HSE networks
- NHS contract pipeline with procurement timelines

3. Strategic Partnerships

- Hospital discharge pathway collaborations
- PCN integration opportunities

Why It Matters:

Search funds prioritize businesses with clear 3-5x EBITDA growth potential through operational leverage rather than capital expenditure.

Phase 5: Risk Mitigation (30 Days Prior)

Eliminate last-minute deal killers

Mandatory Checks

- No single customer >20% revenue
- All professional indemnity insurances current
- Equipment leases/IT contracts transferable
- No pending employment tribunals

Data Room Essentials

1. Financials (5-year statements + forecasts)
2. Compliance (CQC/HIQA reports + action plans)
3. Operations (Protocols + Staffing models)
4. Legal (Contracts + Insurance)

Why It Matters:

83% of delayed healthcare closings stem from undocumented operational risks (2024 UK Health M&A Survey).

Implementation Roadmap

Month	Focus Area	Key Output
1-3	Financial Health	Clean EBITDA, DSO ≤45 days
4-6	Regulatory Audit	Compliance certificate
7-9	Systems Documentatic	Institutional knowledge repository
10-12	Investor Materials	Professional data room + executive summary

Valuation Drivers

Premium Factors (15-20% Valuation Boost)

- NHS/HSE contract portfolio with 3+ year terms
- Technology stack enabling 20-30% operational efficiency gains

- Management team with proven acquisition integration experience

Red Flags (-30% Valuation Impact)

- Customer concentration >25%
- "Requires Improvement" CQC rating
- Aging IT infrastructure requiring >£500k investment

This checklist provides a strategic framework while allowing customization for hospitals, diagnostic centres, or specialty clinics. By addressing both universal requirements and sector-specific nuances, healthcare businesses position themselves for optimal search fund valuations and smooth transactions.