

Q3-2019 Private Equity Industry Update



Market Update

Q3 of 2019 saw private equity funds raise \$163B in aggregate capital. Despite the high amount of available capital to be deployed, 2019 has shown decreasing trends in deal volume and capital invested relative to 2018. In Q3 of this year, the number of deals totaled 603, which was the lowest deal volume of any third quarter since 2012. As a result, PE deals as a percent of the overall M&A market has dropped by 5% since 2018.

Lower deal volume is likely due to macroeconomic factors regarding fiscal policy, global tensions, and today's high valuations. Investors are growing wary of the next downturn and may be waiting for a correction before deploying capital. According to researchers, deals on average are 11 times EBITDA today, which is higher than the 10.5 multiples experienced in 2017 and the 9.5 times multiples seen in 2007.

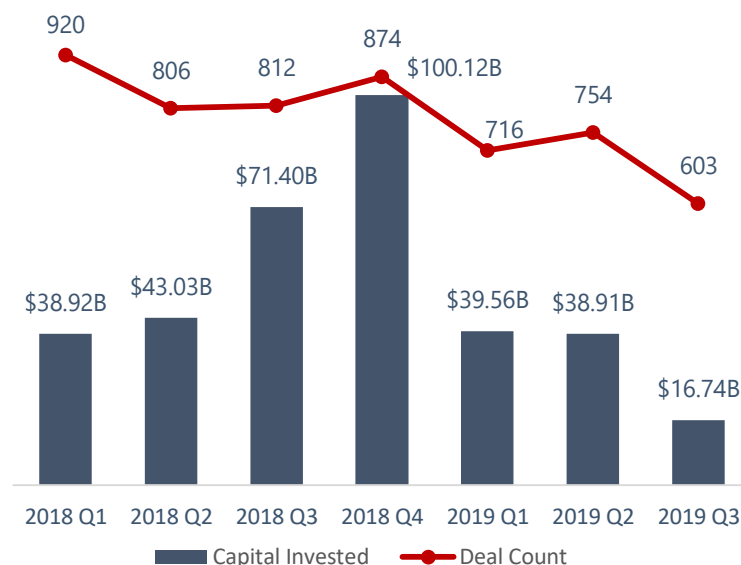
For the last quarter remaining in 2019, Provident believes that M&A activity does not seem likely to reach 2018's volume. However, deal volume is expected to remain consistent with Q3 as sellers seek to exit while purchase multiples are high. This is even more likely to occur in the healthcare services sector where the industry is projected to continue consolidating as practices and PE backed platforms attempt to increase market share across the industry.

Below are several notable transactions that took place in Q3:

Select Transactions:

Month	Acquirer	Target	Healthcare Vertical	Notable Attributes
September	The Stepping Stones Group	New England ABA	Behavioral Health	The Stepping Stones Group announced their acquisition of New England ABA, a provider of in-home ABA therapy. Provident served as an exclusive financial advisor for NEABA.
September	EyeSouth Partners	Six Louisiana eyecare practices	Ophthalmology	EyeSouth Partners, has invested in six Louisiana eyecare practices: Eyecare Associates, Outpatient Eye Surgery Center, Eye Laser Institute, The Looking Glass, Scott D. Lanoux MD & Associates, and L&L Optical.
August	The CapStreet Group, LLC	Surgical Notes	Healthcare IT	The CapStreet Group, LLC announced a majority recapitalization of Surgical Notes, a healthcare solutions company that provides products and services designed to streamline the reimbursement process.
August	Blue Wolf Capital Partners	RHA Health Services	Substance Abuse	Blue Wolf Capital Partners announced the acquisition of RHA Health Services, a leading provider of community-based health services.
July	Five Arrows Capital Partners	Averhealth	Healthcare IT & Software	Five Arrows Capital Partners, has recapitalized Richmond, a Virginia-based provider of cost efficient IT solutions for substance use disorder monitoring and treatment.
July	H.I.G. Growth Partners	Soderstrom Skin Institute	Dermatology	H.I.G. Growth Partners made an investment in Soderstrom Skin Institute, a provider of comprehensive dermatologist services.

Private Equity Investment & Deal Count



Sources: Preqin's "All Buyout & Other Private Equity Q3 2019"

Chart Source: PitchBook Data, Inc.

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