
Healthcare Services M&A Review: A Quarterly Update

Provident Healthcare Partners provides an overview of merger and acquisition activity in the healthcare services industry for the final quarter of 2019

Table of Contents

I.	<u>Quarterly Healthcare Market Update</u>	3
II.	<u>Healthcare M&A Deal Stratification</u>	4
III.	<u>Provident Quarterly Update</u>	5
IV.	Healthcare Services Newsletters	
i.	<u>Behavioral Health</u>	6
ii.	<u>Dental Services</u>	7
iii.	<u>Dermatology</u>	8
iv.	<u>Emergency Medical Services</u>	9
v.	<u>Healthcare IT</u>	10
vi.	<u>Healthcare Staffing</u>	11
vii.	<u>Home Health & Hospice</u>	12
viii.	<u>Laboratory Services</u>	13
ix.	<u>Ophthalmology</u>	14
x.	<u>Pharmaceutical Services</u>	15
xi.	<u>Pharmacy & Infusion Services</u>	16
xii.	<u>Physician Services</u>	17
xiii.	<u>Private Equity Industry</u>	18
xiv.	<u>Rehabilitation</u>	19
xv.	<u>Veterinary Services</u>	20
V.	<u>Concluding Thoughts</u>	21

Q4 Market Update: M&A Markets Remain Highly Active Heading into 2020

The consolidation of the healthcare services industry was highly active in the fourth quarter of 2019. Private equity firms are deploying the abundant capital they have raised in recent years and strategic players are pursuing add-on acquisitions to increase their size and scale, resulting in sustained competition and strong valuations over the past three months. This transaction environment is anticipated to continue into 2020. Several verticals within healthcare services have seen heightened activity throughout the last quarter, including pharmaceutical services, gastroenterology, and ophthalmology. Highlighted by multiple successful exits of portfolio companies by private equity firms, trends from this quarter will continue to drive investor confidence in healthcare moving forward into 2020.

Within the pharmaceutical services sector, KKR successfully exited its investment in the Laboratory of the Government Chemist (LGC) to private equity firms Cinven and Astorg; over KKR's holding period, the company was able to generate a three times return on invested capital. The pharmaceutical services sector has become increasingly attractive to lower middle market investors due to the growth of outsourcing and sustained fragmentation in emerging verticals. Provident expects new areas such as eClinical and clinical trial management systems (CTMS) to garner interest in the coming year.

Gastroenterology observed its largest provider, the GI Alliance, expand into new markets in Texas, Arkansas, and Indiana through a flutter of acquisition activity. By establishing regional platforms in multiple new states, GI Alliance will be positioned to capitalize on add-on and tuck-in investments in these new geographies to complement its already existing density within Texas. Gastro Health has also established itself as a national provider of GI care by creating regional platforms in Virginia and Washington. Having expanded into four states since receiving its initial investment from Audax in 2016, Gastro Health is well-positioned for a secondary transaction in the near future.

Ophthalmology's multiyear run as one of the most active verticals within multi-site healthcare services did not slow down in the final quarter of 2019 as EyeCare Partners experienced its second liquidity event when FFL Partners exited its investment to the Partners Group for ~\$2 billion. Since completing its initial recapitalization with FFL Partners in 2015, EyeCare Partners (ECP) has successfully closed and integrated over 250 practices under its brand by focusing on vertically integrating optometry, ophthalmology, and retina. By pursuing a unique strategy of partnering with optometrists, ECP has captured the referral streams of ophthalmologists and retinal specialists, allowing the platform to become the largest medical vision services provider in the United States. Today, ECP employs 500+ optometrists, 85+ ophthalmologists, and 4,400 clinic staff across its 450 locations in the U.S.

Provident actively tracks and analyzes M&A activity, key developments, and emerging trends among healthcare services verticals. We publish these findings in our quarterly newsletters, which can be accessed [here](#). Provident also invites the readers of our newsletters to view our new Provident Perspectives publications, which focuses on current trends our professionals have identified in a variety of healthcare verticals. You can read some of our new posts [here](#).

Notable Market Healthcare Deals This Quarter ⁽¹⁾

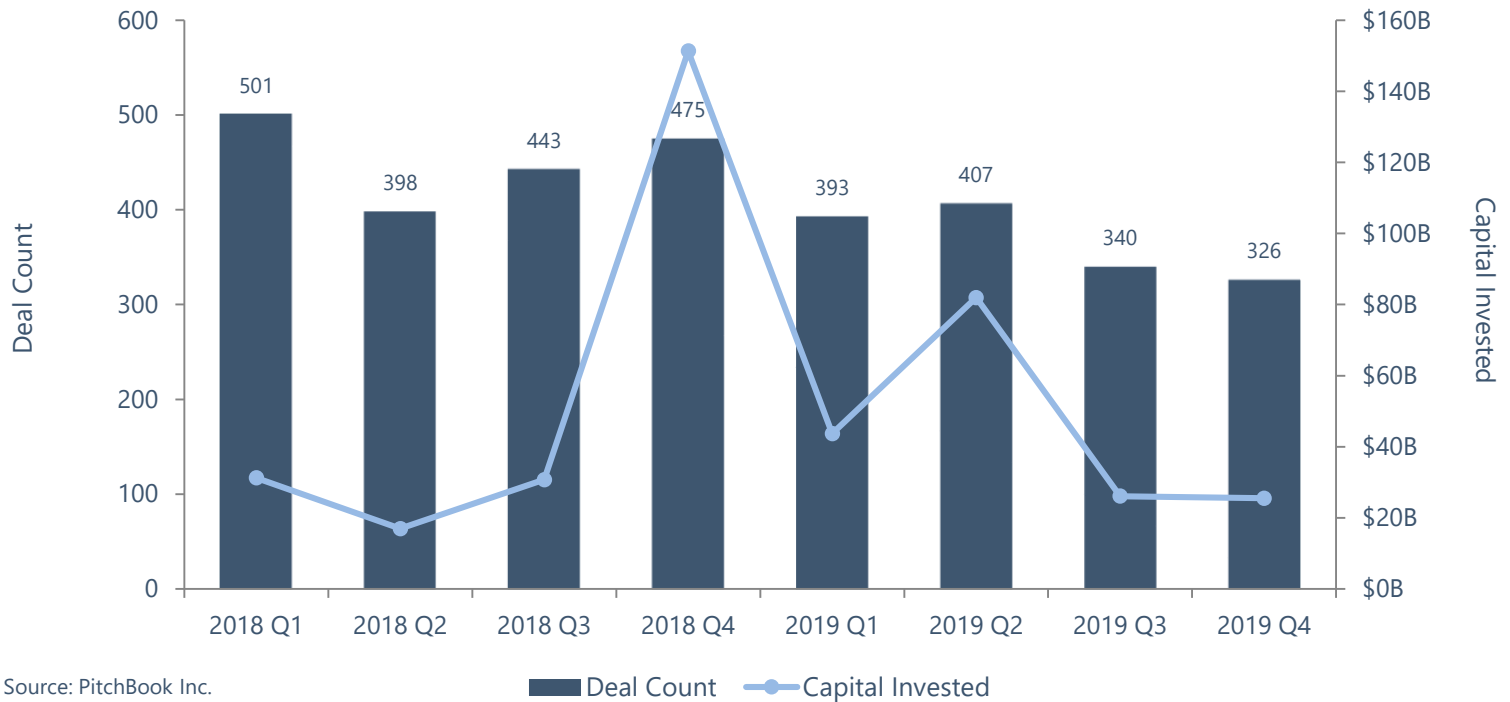
<p>Behavioral Health</p>  <p><i>Has been acquired by</i></p> 	<p>Pharmaceutical Services</p>  <p><i>Has been acquired by</i></p> 	<p>Gastroenterology</p>  <p><i>Has been acquired by</i></p> 
<p>Home Care & Hospice</p>  <p><i>Has been acquired by</i></p> 	<p>OB/GYN</p>  <p><i>Has been acquired by</i></p> 	<p>Ophthalmology</p>  <p><i>Has been acquired by</i></p> 

⁽¹⁾: These are Q4 market transactions; Provident was not involved in these transactions.

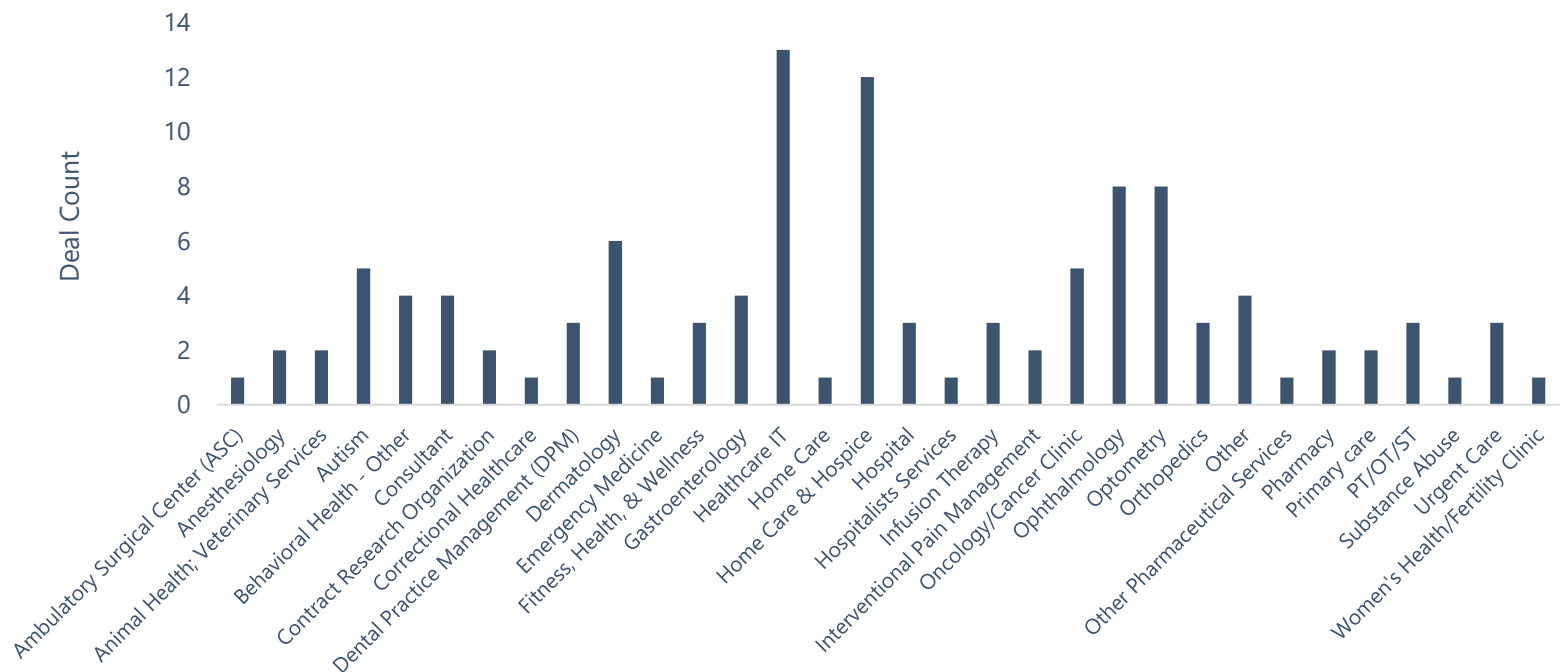
Healthcare M&A Deal Stratification

In the fourth quarter of 2019, 320+ deals closed in the healthcare sector, with a large concentration in healthcare services. While the amount of capital invested in these transactions in Q4 2019 did not match that of the prior year, overall deal volume stayed relatively in line with prior periods. Provident believes the lower amount of capital invested in the prior quarters is tied to more focus on the lower middle-market of healthcare (companies valued at less than \$500 million in Total Enterprise Value).

Healthcare M&A Quarterly Deal Activity (2018 – 2019)



Q4 2019 Healthcare Services Deal Count



Provident Quarterly Update

In the final quarter of 2019, Provident closed three transactions in three different healthcare subsectors: anesthesia, gastroenterology, and autism. All three clients partnered with private equity-backed strategic acquirers. Orange Coast Anesthesia (OCA) and Comprehensive Autism Center (CAC) are headquartered in Southern California, while Gastroenterology Associates of Northern Virginia (GANV) is based in the Mid-Atlantic market.

Provident Q4 Transactions ⁽¹⁾



⁽¹⁾:Provident served as the exclusive sell-side financial advisor to OCA, GANV, and CAC.

Provident Case Study
Orange Coast Anesthesia (OCA)

OCA Profile

- Physicians: 40+
- HQ: Orange Country, CA
- Hospitals: seven

- Provident began working with the majority shareholder of Orange Coast Anesthesia (OCA) in 2017, before officially engaging as a client in 2018
- North American Partners in Anesthesia (NAPA) had been actively seeking to expand into CA and emerged early in the process as a leading candidate to partner with OCA given their capital resources and infrastructure
- Provident negotiated an offer from NAPA, who offered a unique strategic fit to OCA

Provident Case Study
Gastroenterology Assoc. of Northern VA (GANV)

GANV Profile

- Physicians: 18
- HQ: Fairfax, VA
- Offices: four
- ASCs: two

- Gastroenterology Associates of Northern Virginia (GANV) engaged Provident in 2018 to explore a potential private equity partnership
- Provident managed a competitive process involving private equity sponsors and private-equity backed GI platforms
- The shareholders of GANV ultimately chose to partner with Miami-based Gastro Health as a Mid-Atlantic hub, bringing Gastro Health into its fourth state

Upcoming Select Conferences

- 17th Annual Healthcare Private Equity & Finance Conference (Feb. 19th – 20th in Chicago, IL)
- AAD Meeting (Mar. 20th – 24th in Denver, CO)
- GI Roundtable (Apr. 3rd – 4th in Denver, CO)
- Asembia Specialty Pharmacy Summit (May 4th – 7th in Las Vegas, NV)

Podcast Episodes

- Episode 10 of Provident’s Healthcare Dealcast “Use of Third-Party Debt in Private Equity Transactions” is now available

Q4-2019 Behavioral Health Update

Market Update

Select subsectors within the behavioral health segment continue to attract private equity capital and M&A activity at unprecedented levels. One space within the sector that has been particularly active is the autism services sector, which has recently been characterized by landmark transactions. Centria's \$400m sale to Thomas H. Lee Partners is the latest in a slate of large private equity recapitalizations in the space, a trend that Provident expects to continue as investor demand continues to outpace the supply of sizable, platform-caliber organizations.

The sector has also seen a great deal of strategic acquisition activity as well, as PE-backed platforms have increasingly moved into contiguous business lines by way of acquisition to diversify income streams and realize synergies. Provident's former client, Comprehensive Autism Center's partnership with The Speech Pathology Group is one such example of consolidators seeing synergistic value in aligning with organizations with complementary service lines. Provident expects this trend to continue as platforms continue grow in scope and scale.

Provident Transaction



Select Transactions

Autism Services			
Month	Acquirer	Target	Headquarters
December	ACORN Health	Behavior Therapy Specialists	O'Fallon, IL
December	NMS Capital	Social Dynamics Inc.	Alameda, CA
December	Thomas H. Lee Partners	Centria	Farmington Hills, MI
October	The Speech Pathology Group	Comprehensive Autism Center	Temecula, CA

Telepsychiatry			
Month	Acquirer	Target	Headquarters
November	American Well	Aligned Telehealth	Woodland Hills, CA

Addiction Services			
Month	Acquirer	Target	Headquarters
December	Discovery Behavioral Health	Case Palmera	Del Mar, CA
November	Discovery Behavioral Health	Authentic Recovery Center	Los Angeles, CA
October	Discovery Behavioral Health	New Life Addiction CMHS	Pasadena, MD

Note: Provident served as exclusive financial advisor to Comprehensive Autism Center in its transaction with The Speech Pathology Group

Provident Industry Coverage Team

Robert Aprill
Senior Associate
raprill@providenthp.com
(617) 226-4211

Steven Grassa, CFA
Associate
sgrassa@providenthp.com
(617) 226-4213

Upcoming Conference

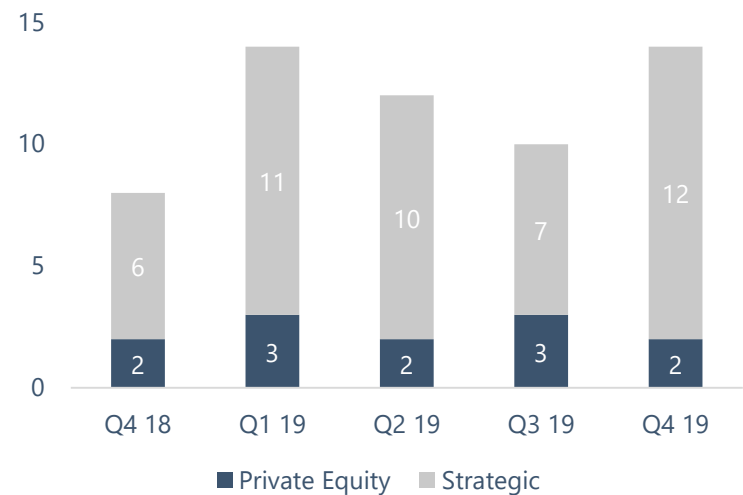
Members of the Provident Healthcare Partners behavioral healthcare coverage team will be attending the 14th Annual Autism Conference in Miami in February 2020.

Q4-2019 Dental Services Update

Market Update

Merger & acquisition activity accelerated during the fourth quarter of 2019. During one of the busiest quarters of the year, existing platforms continued to expand their geographic footprints through add-on acquisitions, and new platforms emerged. Continuing the trend of replicating the success of private equity partnerships within general dentistry and early success within oral surgery, there continues to be further investment into other areas of specialty dentistry as evidenced by Endo1 Partners investment by Veronis Suhler Stevenson (VSS), and Orthodontic Partners partnership with FFL Partners and Crane Street Capital. As new specialty dental platforms within the endodontic and orthodontic specialty segments, these organizations will continue to fuel their growth via acquisition by leveraging their private equity sponsors to enter into new markets and geographies. As 2019 comes to a close, it is evident that consolidation and transaction volume will continue at an accelerated pace heading into 2020.

Investment Activity Breakdown



Month	Acquirer	Target	Target – Number of:		
			Locations	Dentists	State(s)
December	42 North Dental	Browne, Goetz & Miraglia	1	3	1
December	Veronis Suhler Stevenson (VSS)	Endo1 Partners	Undisclosed	Undisclosed	2
December	MB2 Dental	Core Dental Partners	17	11	1
November	FFL Partners / Crane Street Capital	Orthodontic Partners	7	7	1
November	North American Dental Group	Meridian Dental Specialists	10	13	3
October	Redwood Dental	David M. Juliani, DDS	1	1	1
October	Mid-Atlantic Dental Partners	DentalOne Partners	150	Undisclosed	13
October	Dental Care Alliance	PDA Dental	1	9	1
October	Smile Brands	Permian Basin Smiles	1	1	1
October	Smile Brands	Glenn Misono, DDS	1	1	1
October	Smile Brands	Doerner Dental	1	1	1
October	U.S. Oral Surgery Management	Oral and Maxillofacial Surgical Specialists	1	2	1
October	U.S. Oral Surgery Management	Dakota Valley Oral and Maxillofacial Surgery	5	6	1
October	U.S. Oral Surgery Management	Clark Holmes Oral Facial Surgery	4	4	1

Provident Industry Coverage Team

Michael Patton
Managing Director
 mpatton@providenthp.com
 (617) 226-4205

Scott Davis
Vice President
 sdavis@providenthp.com
 (617) 226-4259

Ajeya Shekar
Vice President
 ashekar@providenthp.com
 (617) 226-4251

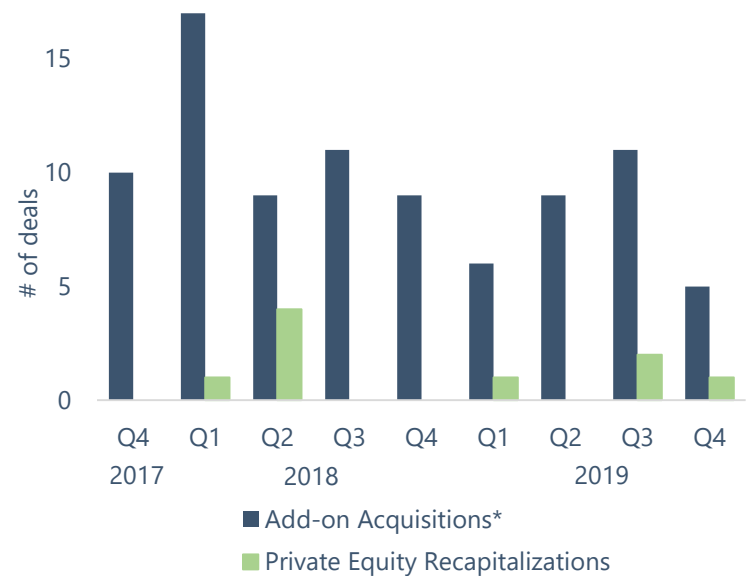
Abe M'Bodj
Associate
 ambodj@providenthp.com
 (310) 359-6630

Q4-2019 Dermatology Update

Market Update

The dermatology sector continues to see consistent transaction volume, recently characterized by regional consolidation as groups look to continue to build density in core, existing markets. Although platform deals have been far and few between over the last 18 months, Provident expects PE-backed organizations to begin to trade amongst private equity firms in 2020 as the sector readies itself for the next phase of its investment cycle. An initial wave of secondary transactions occurred in 2016 as four established MSOs traded private equity hands in that year. Since then, there's been sparse secondary deal activity owing to the fact that most platforms were established following that period. With a few years under their belts executing on each company's respective growth strategies, Provident expects that a good portion of PE-backed platforms will be primed and ready for sale in the next 12-18 months. Gemini's sale of DermCare and Skin & Beauty Center to Hildred Capital Management in the fourth quarter is one such example of a secondary transaction occurring. The typically holding period for private equity firms are usually between 4-6 years which coincides with the timeline of multiple PE-backed providers throughout the country.

Investment Activity Breakdown



Select Transactions:

*Add-on acquisitions represent transactions that have been publicly disclosed

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
December	Adult & Pediatric Dermatology	Dermatology Professionals, Inc.	2	14	MA, RI
December	Schweiger Dermatology	Dermatology Associates of Crystal Run	2	10	NY
November	Pinnacle Dermatology	SkinSpeaks	5	10	MN
November	Epiphany Dermatology	Kansas City Dermatology	2	6	MO
November	Epiphany Dermatology	Advanced Dermatology of Butte	1	2	MT
October	Hildred Capital Management	DermCare and Skin & Beauty Center	30+	n/a	CA, FL, TX

Provident Industry Coverage Team

Ajeja Shekar
Vice President
ashekar@providenthp.com
(617) 226-4251

Steven Grassa, CFA
Associate
sgrassa@providenthp.com
(617) 226-4213

Upcoming Conference



Members of the Provident Healthcare Partners dermatology coverage team will be attending the American Academy of Dermatology in Denver in March.

Q4-2019 Emergency Medical Services Update

Market Update

The final quarter of 2019 observed a lull in high value transaction activity, although small-scale mergers and acquisitions did occur, most notably the acquisition of TruePartners by American Physician Partners (APP).

Outside of traditional consolidation, the ambulance services industry has begun to feel regulatory pressure as Washington examines the efficacy of certain practices by air ambulance providers across the country. Certain behaviors by air ambulance providers such as “balance billing” have begun to attract not only individual states’ attentions, but that of the federal government. Legislative and regulatory changes have a risk of negatively impacting operators in this space, many of whom have secured private equity partnerships.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
Urgent Care:					
October	PhysicianOne Urgent Care	MD Urgent Care	1	1	MD Urgent Care in Mamaroneck has been acquired by PhysicianOne Urgent Care of Southbury, Connecticut. With the acquisition, PhysicianOne Urgent Care is now comprised of 19 centers across Connecticut, Massachusetts and New York.
Emergency Medicine:					
October	American Physician Partners (APP)	TruePartners Emergency Physicians	13	4	American Physician Partners announced the acquisition of TruePartners Emergency Physicians, an emergency medicine group based in Wellington, Fla..
October	Emergency Care Partners	Illinois Emergency Medicine Specialties	N/A	1	Emergency Care Partners, a portfolio company of Varsity Healthcare, has completed their merger with Illinois Emergency Medicine Specialties. The combined organization will have 600 physicians and mid-level providers.
Ambulance Services:					
December	AmeriPro EMS	Ambulance Service, Inc.	N/A	1	AmeriPro EMS announced it has purchased Ambulance Service, Inc. a long-standing independently owned and operated emergency services provider..

Provident Industry Coverage Team

Ajeya Shekar
Vice President
 ashekar@providenthp.com
 (617) 226-4251

Eric Major
Vice President
 emajor@providenthp.com
 (617) 226-4212

Bill Bolding
Senior Analyst
 bbolding@providenthp.com
 (310) 359-6616

Q4-2019 Healthcare IT Update

Market Update

The healthcare IT sector continued to be very active in Q4 of 2019, with M&A and investment activity centered around business segments such as cloud solutions and revenue cycle management. Although venture-capital funding is down by approximately 10% compared to 2018's record setting year, there were six IPOs in 2019, ending a three-year IPO drought in the sector. Much of this activity was driven by the need for transparency and seamless communication between providers, patients and business units. Provident Healthcare Partners expects the sector will continue to grow heading into 2020, with particular emphasis on patient connectivity and personalized digital health solutions.

HCIT Public Comparable Multiples

Select Public Healthcare IT Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV/REV	EV/EBITDA
Allscripts	\$9.51	\$1.76B	\$60.70mm	1.63x	32.39x
Castlight Health	\$1.42	\$149.0mm	(\$26.34)mm	1.07x	N/A
Cerner	\$73.07	\$5.62B	\$1.31B	4.18x	17.89x

As of 1/13/2020

Select Transactions:

Month	Acquirer	Target	Target :		
			Business Segment	Headquarters	Deal Size
December	BESLER	Panacea Health Solutions	Revenue Cycle Management	Saint Paul, MN	N/A
December	Johnson & Johnson	Verb Surgical Inc	Robotics and Data Science	Santa Clara, CA	N/A
December	VirTrial	SnapMD	Cloud Solutions	Glendale, CA	N/A
December	Waystar	Recondo Technology	Revenue Cycle Management	Denver, CO	N/A
October	Dassault Systemes	Medidata	Clinical Trial Software	New York, NY	\$5.8B
October	Frazier Healthcare	Med-Data, Inc.	Revenue Cycle Management	Brecksville, OH	N/A
October	UnitedHealth Group, Inc.	Vivify Health	Cloud Solutions	Plano, TX	N/A
September	Prudential Financial, Inc.	Assurance IQ	Patient Management	Bellevue, WA	\$2.35B
September	Warbug Pincus	Qualifacts	Cloud Solutions	Nashville, TN	N/A

Provident Industry Coverage Team

Kevin Palamara
Managing Director

kpalamara@providenthp.com

(617) 226-4221

AJ Shekar
Vice President

ashekar@providenthp.com

(617) 226-4251

Jake Vesely
Senior Analyst

jvesely@providenthp.com

(617) 226-4293

Upcoming Conference

The Provident Healthcare Partners investment banking team regularly attends conferences and other events related to the Healthcare IT sector. We invite industry executives and shareholders to reach out for a confidential meeting to gain a more detailed perspective on valuations and transaction activity within the sector.

www.providenthp.com 10

Q4-2019 Healthcare Staffing Update

Market Update

After what had been a relatively quiet 2019, the healthcare staffing sector experienced a surge in deal activity to close out the year. The year's final quarter was highlighted by Medical Solutions' acquisition of C&A Industries, one of the nation's largest staffing providers. While overall growth dialed back to 5% YoY, niche service areas, such as travel nursing, outpaced the industry growing 8% from this time last year.

The travel nursing segment has seen a notable uptick in M&A activity throughout 2019. Notable deals included IAC's acquisition of NurseFly, a digitally native travel nurse placement platform, and AMN Healthcare's \$200M acquisition of Advanced Medical, a leading staffer of therapists and travel nurses nationwide. The shortage in skilled labor within the healthcare industry continues to be the main driver for heightened staffing needs across the country.

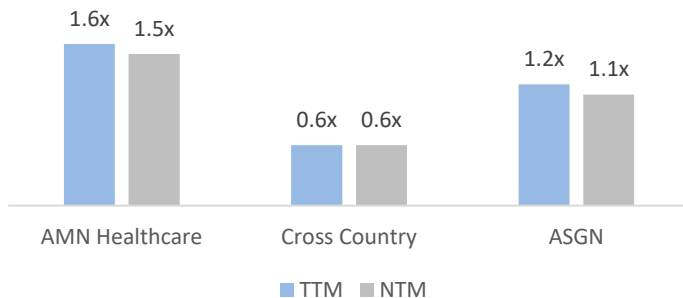
Provident expects that 2020 will bring about further consolidation in the market as competition becomes more intense. We expect to see platform investments as well as strategic add-on acquisitions into service lines such as travel nursing and IT solutions, among others.

Notable Travel Nursing Transactions in 2019

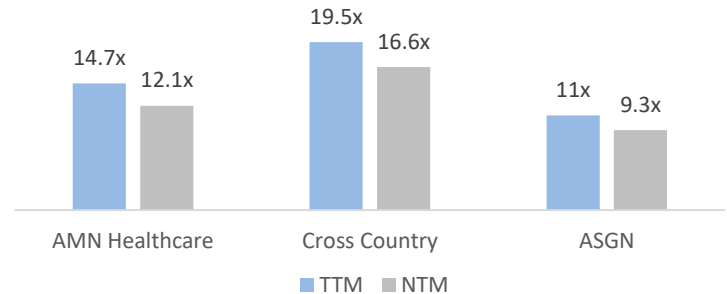


Industry Multiples

Enterprise Value to Revenue Multiples



Enterprise Value to EBITDA Multiples



Select Transactions

Source: CapIQ, as of January 15th 2020

Month	Acquirer	Target	Service Lines	Presence
September	TotalMed	Medical Staffing Solutions	Healthcare Staffing	Midwest
October	Medical Solutions	C&A Industries Inc.	Healthcare Staffing	Nationwide
October	CHG Healthcare	Modio Health	Staffing IT	Nationwide
November	Aya Healthcare	Ohio Hospital Assoc. Workforce Solutions Program	Healthcare Staffing	Ohio

Provident Industry Coverage Team

Kevin Palamara
Managing Director
kpalamara@providenthp.com
(617) 226-4221

Scott Davis
Vice President
sdavis@providenthp.com
(617) 226-4259

Eric Major
Vice President
emajor@providenthp.com
(617) 226-4212

Robert Aprill
Senior Associate
raprill@providenthp.com
(617) 226-4211

Q4-2019 Home Health & Hospice Update

Market Update

With uncertainty looming around the upcoming Patient-Driven Groupings Model (PDGM), strategic acquirers and investors have focused their attention towards the hospice space in the fourth quarter of 2019 resulting in robust transaction volume. Due to increased competition and a shrinking number of platform opportunities available, Provident has seen valuations drastically increase in the hospice space and expects multiples to remain high throughout 2020.

As the impact of PDGM becomes more apparent in Q1, Provident expects a surge of home health M&A activity, driven by opportunistic investors and smaller firms utilizing M&A as a way to offset the burden of adapting to the new model.

Home Health & Hospice Comparable Multiples

Select Public Post Acute Care Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV / Rev	EV / EBITDA
Humana, Inc.	\$358.53	\$62,761	\$4,111	0.59x	8.73x
Amedisys, Inc.	\$175.05	\$1,889	\$223	2.52x	21.92x
LHC Group, Inc.	\$143.28	\$2,058	\$194	1.95x	22.75x
Addus HomeCare Corp	\$99.87	\$598	\$37	2.16x	34.05x

As of 1/13/2020

Revenue / EBITDA in \$000s

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
December	Traditions Health	Guiding Hospice	1	1	Traditions Health has acquired Texas based Guiding Hospice, marking their second hospice acquisition in Q4 this year.
December	Care Finders Total Care	At Home Quality Care & Philadelphia Home Care	2	1	Carefinders, one of the fastest growing home healthcare providers in the Northeast, has acquired At Home Quality Care and Philadelphia Home Care.
December	HouseWorks	Extended Family	1	1	Houseworks has successfully expanded into the New Hampshire and southern Maine markets with the acquisition of Extended Family.
December	Heart of Hospice	Heartstrings Hospice	1	1	Hear of Hospice, a subsidiary of Evening Post Industries Group, has purchased Heartstrings Hospice, a South Carolina-based company.
November	Amedisys	Asana Hospice	8	1	Amedisys has acquired Asana Hospice, marking their third hospice acquisition in 2019.
November	Traditions Health	Pathways Hospice	1	1	Tradition's Health, a portfolio company of Dorilton Capital Advisors, has acquired Pathways Hospice, further expanding their presence in the Arizona market.
October	TEAM Services Group	AmeriBest Home Care	1	1	AmeriBest Home Care, a portfolio company of Boyne Capital, has been sold to TEAM Services Group, a portfolio company of Alpine Investors.

Provident Industry Coverage Team

Kevin Palamara
Managing Director

kpalamara@providenthp.com
(617) 226-4221

AJ Shekar
Vice President

ashekar@providenthp.com
(617) 226-4251

Jake Vesely
Senior Analyst

jvesely@providenthp.com
(617) 226-4293

Upcoming Conference

The Provident Healthcare Partners investment banking team regularly attends conferences and other events related to the home health & hospice sector. We invite industry executives and shareholders to reach out for a confidential meeting to gain a more detailed perspective on valuations and transaction activity within the sector.

Q4-2019 Laboratory Services Update

Market Update

Traditional lab services are being augmented with a multitude of new capabilities including genomics, biomarkers, and diagnostics, primarily via strategic mergers and acquisitions.

By combining legacy lab services with early-stage testing at the clinical trial level, companies are positioning themselves to better serve the needs of emerging drug therapies and their patient populations by offering value at both the early and latter stage of therapy development.

Laboratory Services Public Trading Multiples

Company	Ticker	EV	Revenue	EBITDA	EV/REV	EV/EBITDA
LabCorp	LH	\$24B	\$11.3B	\$2B	2.12x	11.87x
Quest Diagnostics	DGX	\$18.55B	\$7.57B	\$1.41B	2.45x	13.16x
Eurofins	ERFSF	\$11.55B	\$4.3B	\$743M	2.68x	15.54x
Publicly Traded Avg.		\$18B	\$7.72B	\$1.4B	2.42x	13.52x

Select Transactions:

Month	Acquirer	Target	Deal Description
December	Tempus	AKESOgen	AKESOgen is a provider of research and data services for clinical and basic genetics research. The company was acquired by Tempus in December and bolsters Tempus' expansion into disease areas outside of cancer and provides strategic capabilities within genomics.
December	Canopy Biosciences	Core Diagnostics	Core diagnostics is an operator of a clinical laboratory designed to develop diagnostics for disease stratification and therapy selection. The company's laboratory offers digital pathology for enabling concurrent global review of test results while conducting screenings of clinical samples.
November	Zoetis	ZNLabs	ZNLabs is an operator of a veterinary diagnostic lab. The company's lab offers services which includes veterinary clinical diagnostics of animals, hematology, clinical chemistry, urology, endocrinology, serology, cytology, histopathology, clinical pathology, and clinical laboratory management.
October	Quest Diagnostics	True Health Diagnosis	True Health Diagnosis is a provider of comprehensive diagnostic testing, health management and clinical integration services. The company specializes in earlier-stage prevention and diagnosis of chronic disease as well as genetic disorders.

Provident Industry Coverage Team

Ethan Goodson
Director
egoodson@providenthp.com
 (310) 359-6616

AJ Shekar
Vice President
ashekar@providenthp.com
 (617) 226-4251

Bill Bolding
Senior Analyst
bbolding@providenthp.com
 (310) 359-6616

Q4-2019 Ophthalmology Update

Market Update

The vision care sector saw its largest transaction to date in Q4 of 2019, as FFL Partners announced it was exiting its majority ownership position in Eye Care Partners (ECP) to private equity firm, Partners Group. ECP, the largest vertically-integrated vision care provider in the country, is said to have commanded a \$2.2 billion price tag in what is the largest transaction in the sector to date. ECP originally took on investment from FFL Partners in April of 2015 and has been an active consolidator in the space having grown from a pureplay optometric platform in the Midwest to a multistate, vertically-integrated provider with over 450 locations. FFL's exit will mark the second time a PE-backed platform has switched private equity hands, which indicates that the sector is moving closer to reaching the next phase of its investment cycle. However, Provident still expects add-on acquisitions to continue to drive consolidation activity until firms are ready to exit their respective positions.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
December*	Partners Group	Eye Care Partners	450+	585+	13 States
December	Vision Innovation Partners	Carroll Vision Center, Center for Total Eye Care and Carroll County ASC	4	7	MD
November	Vance Thompson Vision	Nebraska Laser Eye Associates	1	3	NE
October	CVP Partners	Apex Eye	6	14	OH
October	EyeSouth Partners	Central Florida Eye Specialists	6	6	FL
October	Vision Innovation Partners	Metropolitan Ophthalmology Associates	n/a	n/a	MD, VA

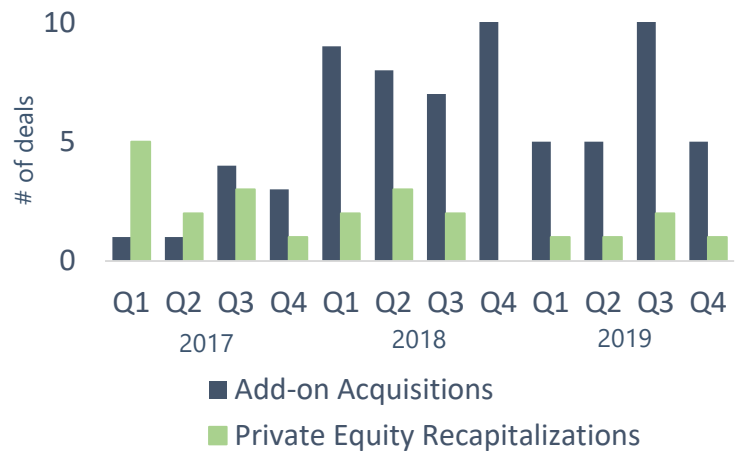
*Transaction announced and agreed to, but is expected to close in the first quarter of 2020

Provident Industry Coverage Team

Eric Major
Vice President
emajor@providenthp.com
(617) 226-4212

Steven Grassa
Associate
sgrassa@providenthp.com
(617) 226-4213

Vision Care Consolidation Activity



Upcoming Conference



Members of the Provident Healthcare Partners vision care coverage team will be at the ASCRS | ASOA Conference in Boston in May.

Q4-2019 Pharmaceutical Services Update

Market Update

Provident observed heightened transaction activity in the northeastern and southeastern research triangles of the United States in the final quarter of 2019. North America remains the most active geography for pharma services M&A and investment, and the consolidation activity occurring in targeted research hubs highlights the talent concentration and institutional resources that drive pharma services companies to these markets.

Select Transactions:

Month	Acquirer	Target	Target Focus	Deal Description
November	BioAgilytix	Cambridge Biomedical	CRO	BioAgilytix, a Durham-based provider of large-molecule bioanalytical testing, has acquired Cambridge Biomedical, a CRO. The transaction expands BioAgilytix's global footprint into the Boston area which will complement their U.S. presence.
November	Raybow Pharmaceutical	PharmAgra Labs	CDMO	Raybow Pharmaceutical, a chemistry services provider, has acquired US-based PharmAgra Labs. PharmAgra is a chemical R&D company located in Brevard, NC with capabilities that include custom synthesis, process development, and optimization.
November	Arranta Bio	Captozyme	CDMO	Arranta Bio announced today the acquisition of Captozyme, establishing Arranta's Center for Excellence, focused on process and analytical development and early clinical supply for microbiome clients.
November	Genesis Biotechnology Group	NEDP	CRO	Genesis Biotechnology Group has acquired New England Discovery Partners (NEDP) as it looks to boost its synthetic and medicinal chemistry expertise outside of traditional CRO capabilities.
October	CNS Network	Hassman Research Institute	Clinical Trial Site Management	CNS Network and Hassman Research Institute have completed a strategic merger to form Apex Innovative Sciences, Inc. The merger forms an industry leading independent operator of clinical trial sites focused on clinical trial studies for central nervous system indications.

Provident Industry Coverage Team

Ethan Goodson
Director
 egoodson@providenthp.com
 (310) 359-6610

Ajeya Shekar
Vice President
 ashekar@providenthp.com
 (617) 226-4251

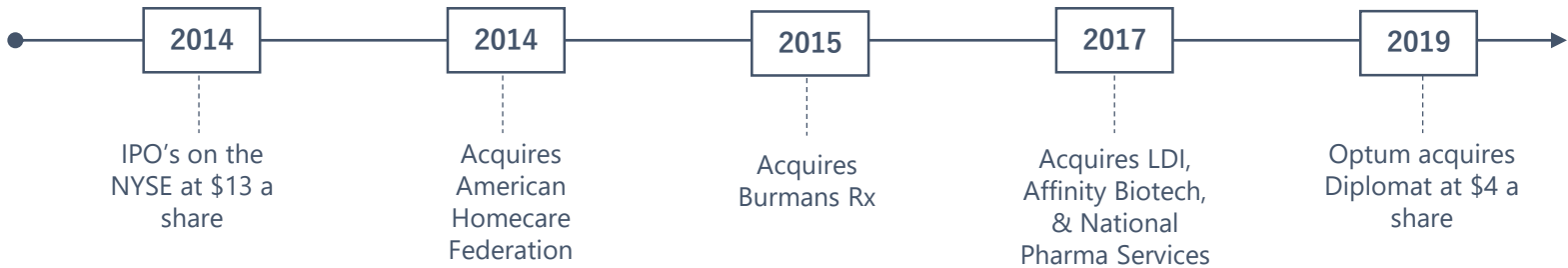
Bill Bolding
Senior Analyst
 bbolding@providenthp.com
 (310) 359-6616

Q4-2019 Pharmacy & Infusion Services Update

Market Update

The specialty pharmacy and infusion market underwent a major shift this quarter as Diplomat Pharmacy (NYSE: DPLO) was acquired by Optum Rx, a division of UnitedHealthcare. Diplomat's attempted pivot from a traditional specialty pharmacy provider to a national pharmacy benefit manager (PBM) was well covered and criticized by shareholders in the public markets. Despite undergoing robust acquisition activity in prior years, Diplomat struggled to gain traction as competitors such as CVS and Optum successfully closed transactions and integrated vertically at superior scale. In the latter half of 2019, Diplomat announced publicly that it was seeking a strategic partner. Optum Rx ultimately acquired Diplomat at a discount to its current share price.

Diplomat Strategic Timeline (2014 IPO to 2019 Exit)



Select Transactions:

Month	Acquirer	Target	Pharmacy Sub-Sector	Deal Significance
October	Diligent Health Solutions, LLC	Envoy Health Management, LLC	Digital Therapeutics, Pharmaceutical Services	Diplomat Pharmacy divested the sale of certain assets of Envoy Health Management, LLC to Diligent Health Solutions, LLC, a multifaceted healthcare communication center. As part of an effort to maintain operations by boosting cash flow, Diplomat divested Envoy as a non-core asset before ultimately being acquired by Optum Rx.
November	Soleo Health	Paragon Infusion Therapy	Specialty Pharmacy Services	Soleo Health has acquired the pharmacy business of Paragon Infusion Therapy, a company that operates 20 pharmacies across the U.S. Soleo Health is one of the fastest-growing companies in the Dallas area, with a recent expansion of a 4,000 square foot pharmacy in Hoover, AL.
December	UnitedHealth Group (Optum)	Diplomat Pharmacy	Specialty Pharmacy	UnitedHealth Group's Optum unit acquired Diplomat Pharmacy, a Michigan-based specialty pharmacy business, for ~\$300 million. The company traded on the New York Stock Exchange (NYSE: DPLO), and operates in 50 states. Diplomat dispensed 918,000 prescriptions last year, generating annual revenue of \$5.5 billion.

Provident Industry Coverage Team

Michael Patton
Managing Director
 mpatton@providenthp.com
 (617) 226-4205

Bill Bolding
Senior Analyst
 bbolding@providenthp.com
 (310) 359-6616

Upcoming Conference



Asembia Specialty Pharmacy Summit
 May 2 – 7, Las Vegas, NV

Q4-2019 Physician Services Update

The fourth quarter exhibited continued consolidation in the physician services market, with PE-backed buyers like GI Alliance, Radiology Partners, and US Radiology Specialists driving consolidation in their respective verticals.

Select Transactions:

Anesthesia					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
November	North American Partners in Anesthesia	Orange Coast Anesthesia ⁽¹⁾	40+	1	CA
September	National Partners in Healthcare	Arizona Heart Anesthesia	19	1	AZ

Gastroenterology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December	GI Alliance	Lubbock Digestive Disease Associates	7	1	TX
December	GI Alliance	GastroArkansas	12	7	AK
December	Varsity Healthcare	Peak Gastroenterology	27	12	CO
November	Gastro Health	Gastroenterology Associates of North Virginia ⁽¹⁾	18	4	VA
November	GI Alliance	Indianapolis Gastro and Hepatology	16	8	IN
November	United Digestive	Center for Digestive & Liver Health	10	4	GA
October	GI Alliance	San Antonio Gastroenterology Associates	17	11	TX

Orthopaedics					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December	Banner Health	Phoenix Orthopaedic Consultants	7	2	AZ
November	Orthopedic Care Partners	The Steadman Clinic	16	3	CO

Radiology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December	Radiology Partners	Radiology Associates of Appleton	23	18	WI
December	Radiology Partners	Advanced Diagnostic Imaging	84	N/A	FL, SC, TN, VA, WI
December	US Radiology Specialists	Radiology LTD	39	10	AZ
December	US Radiology Specialists	US Imaging	N/A	8	TX
November	LucidHealth	Madison Radiologists	35	44	WI

(1) Provident served as exclusive financial advisor

Provident Industry Coverage Team

AJ Shekar
Vice President
ashekar@providenthp.com
 (617) 226-4251

Eric Major
Vice President
emajor@providenthp.com
 (617) 226-4212

Upcoming Conference:



Provident will be speaking at the 17th Annual Healthcare Private Equity & Finance Conference from February 19-20

www.providenthp.com

Q4-2019 Private Equity Update

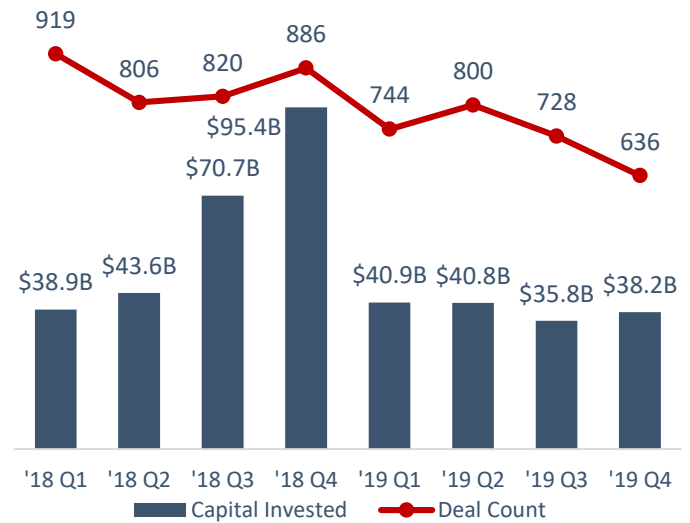
Market Update

Private equity fundraising trends have remained stable through Q4, leading to a high reserve of dry powder available to deploy for new platforms and bolt on acquisitions. While the total number of deals was down relative to 2018, valuations continue to remain elevated, with 2019 bringing in \$155.7 billion in total transaction value.

From Provident's perspective, the ongoing elevated valuation levels have encouraged private equity firms to take a selective approach to platform investments and bolt on acquisitions, with a renewed focus on organic growth initiatives and de novo opportunities, which also lend themselves to longer hold periods.

While 2020 holds economic and political uncertainty, the high amount of dry powder available in the market and the expectation of the Federal Reserve to cut rates again in 2020 will encourage funds to continue utilizing leveraged buyouts and roll-up strategies to achieve compelling returns.

Private Equity Investment & Deal Count



Sources:
 1. Preqin's "2019 Private Equity & Venture Capital Fundraising & Deals Update"
 2. PWC's "US private equity deal insights"
 3. Acuris's "Global Private Equity Outlook 2020"

Chart Source: PitchBook Data, Inc.

Select Transactions:

Month	Acquirer	Target	Healthcare Vertical	Notable Attributes
December	Webster Equity Partners	Santa Monica Fertility	Women's Health/Fertility Clinic	Santa Monica Fertility, a third-party reproductive center in Santa Monica, California has been acquired by Webster Equity Partners
December	Varsity Healthcare Partners	Peak Gastroenterology Associates	Gastroenterology	Varsity Healthcare Partners, a healthcare services private equity investment firm, recapitalized Peak Gastroenterology Associates, the largest provider of gastroenterology services in Colorado
November	Bourne Partners	Pharmaceutical Associates, Inc.	Pharmaceutical Services	Bourne Partners and Enhanced Healthcare acquired Pharmaceutical Associates, Inc., a leader in liquid unit-dose, bottle prescription, and OTC medications
November	Olympus Partners	Soliant Health	Healthcare Staffing	PE firm Olympus Partners acquired Soliant, a provider of healthcare staffing services to K-12 schools
October	Towerbrook Capital Partners and Ascension Health	Hospice Compassus	Home Care & Hospice	Towerbrook and Ascension purchased Nashville-based hospice provider Compassus at a valuation of \$1 billion
October	Warburg Pincus, LLC	Petplan	Insurance	Petplan, a leading pet health insurance provider in North America has been acquired by Warburg Pincus, a global private equity firm focused on growth investing

Provident Industry Coverage Team

Kevin Palamara
 Managing Director
kpalamara@providenthp.com
 (617) 226-4221

Michael Patton
 Managing Director
mpatton@providenthp.com
 (617) 226-4205

Scott Davis
 Vice President
sdavis@providenthp.com
 (617) 226-4259
www.providenthp.com

Q4-2019 Rehabilitation Update

Market Update

Merger and acquisition activity within the rehabilitation sector continued at a strong pace during the fourth quarter of 2019. The prevailing trend of existing rehabilitation networks driving their growth through mergers and acquisitions remained consistent throughout Q4. This strategy has been employed by strategic buyers and private-equity backed platforms alike, either to diversify service offerings, enter new geographies, or expand operations in an existing market. Evidenced by Orlin & Cohen Orthopedic Group's acquisition of Max Effort Sports Physical Therapy and Riverside Healthcare's acquisition of Axxess Physical Therapy, healthcare providers are willing to pay premium valuations to expand services offerings in a growing attempt to capture the entire continuum of care.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
December	Physical Rehabilitation Network	Team Rehab Clinics	3	Oregon	Physical Rehabilitation (PRN) acquired Team Rehab, an outpatient integrative care group. This acquisition brings PRN's clinic count in the Pacific Northwest to 26 and is the California-based organization's first expansion into the state of Oregon.
December	Riverside Healthcare	Axxess Physical Therapy	1	Illinois	Riverside Healthcare acquired Axxess Physical Therapy in Illinois. This acquisition adds to Riverside's large network of rehabilitation practices and allows Axxess patients to access a broader range of services.
November	EXOS	Desert Institute of Physical Therapy	1	Arizona	EXOS, a global leader in human performance headquartered in Phoenix, has acquired Desert Institute of Physical Therapy, expanding their reach in the Phoenix market.
November	Orlin & Cohen Orthopedic Group	Max Effort Sports Physical Therapy	1	New York	The Orlin & Cohen Orthopedic Group acquired Max Effort Sports Physical Therapy. This strategic acquisition will complement Orlin's growing sports medicine practice.
October	CORA Physical Therapy	Blacksburg Physical Therapy Associates,	3	Virginia	CORA Physical Therapy, a portfolio company of Gryphon Investors, acquired Blacksburg Physical Therapy Associates. This acquisition brings CORA's clinic count in Virginia to 11.

Provident Industry Coverage Team

Eric Major
Vice President
emajor@providenthp.com
(617) 226-4212

Jake Vesely
Senior Analyst
jvesely@providenthp.com
(617) 226-4293

Upcoming Conference

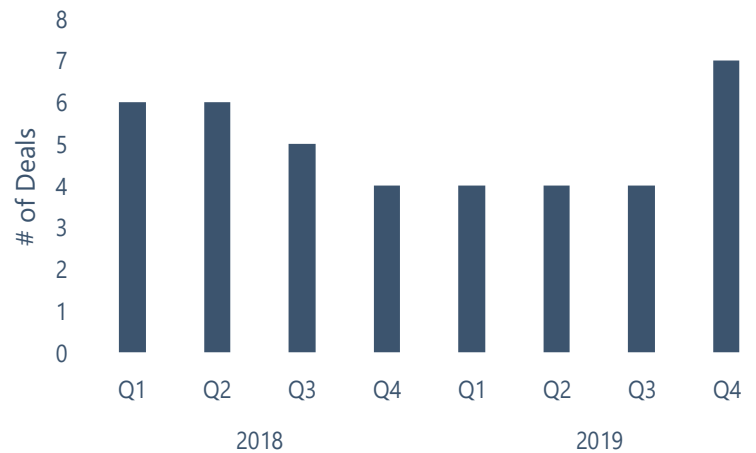
The Provident Healthcare Partners investment banking team regularly attends conferences and other events related to the rehabilitation sector. We invite industry executives and shareholders to reach out for a confidential meeting to gain a more detailed perspective on valuations and transaction activity within the sector.

Q4-2019 Veterinary Services Update

Market Update

In 2019, the trend of private equity-backed platforms making add-on acquisitions continued, as groups like Sage Veterinary Centers and Compassion First Pet Hospitals continued to make bolt-ons in target geographies. Despite the number of existing consolidators in the sector, sponsors continued to see the opportunity for new market entrants to consolidate the fragmented landscape. Gryphon Investors recapitalized Heartland Veterinary Partners with plans of continuing to grow the company's existing network of 100+ centers. We expect this trend to continue in 2020 as several established platforms are in the process of taking on new private equity partners. Cortec's pending sale of Community Vet Partners to OMERS Private Equity marks OMERS second standalone investment in the veterinary services space. In addition, Morgan Stanley Capital's Pathway Vet Alliance expressed an interest in exploring a potential sale or IPO earlier in the fourth quarter of 2019. Since the most accretive growth strategies tend to be via acquisition, these pending large-scale transactions will create a trickle-down effect of further add-on acquisitions, leading Provident to believe 2020 will be an active year for transaction activity within the space.

Publicly Announced Transaction Activity



Select Transactions:

Month	Acquirer	Target	Target Subsector	Target Headquarters	Locations
December	Gryphon Investors	Heartland Veterinary Partners	Veterinary Animal Hospital & Clinic	Chicago, Illinois	100+
December	Zoetis, Inc.	ZNLabs	Veterinary Diagnostics	Louisville, Kentucky	8
November	Compassion First Pet Hospitals	First Coast Veterinary Specialists	Veterinary Animal Hospital & Clinic	Jacksonville Beach, Florida	1
November	Compassion First Pet Hospitals	Specialists in Companion Animal Neurology	Veterinary Animal Hospital & Clinic	Naples, Florida	2
November	SAGE Veterinary Centers	Veterinary Specialists of Alaska	Veterinary Animal Hospital & Clinic	Anchorage, Alaska	1
October	Warburg Pincus LLC	Petplan	Pet Insurance	Newtown Square, Pennsylvania	1
October	Zoetis, Inc.	Phoenix Lab	Veterinary Diagnostics	Mukilteo, Washington	1

Provident Industry Coverage Team

Ajeya Shekar
Vice President
ashekar@providenthp.com
 (617) 226-4251

Kyle Daly
Senior Analyst
kdaly@providenthp.com
 (617) 226-4299

Upcoming Conference:



**DIGITAL VETERINARY
SUMMIT USA**

Provident Healthcare Partners will be attending the Digital Veterinary Summit in Boston on April 22-23

www.providenthp.com 20

Concluding Thoughts

Provident expects the merger, acquisition, and private equity investment activity that we observed in 2019 to continue at this current pace into the new year. Buoyed by macroeconomic trends and a sustained low interest rate environment, private equity sponsors and private equity-backed platforms will continue to compete on valuation in active markets within healthcare services; particularly in physician practice management, pharmaceutical services, and healthcare IT.

Successful “exits” of private equity-backed healthcare companies to strategic acquirers and larger, more institutional private equity firms highlighted in this quarterly update has enforced the theses among both healthcare providers and investors that the healthcare industry presents a ripe opportunity for investment and consolidation.

The steady level of deals observed in the last few years has been reflective of an investor and acquirer base that has and will continue to succeed in partnering with growth-oriented healthcare organizations to drive shareholder value. While other industries outside of healthcare are observing the beginnings of microeconomic and external trends that may threaten their ability to grow and succeed in a dynamic global economy, the healthcare services market remains insulated from much of this current concern.



Provident is the leading investment banking firm offering mergers and acquisition advisory services for high growth, middle market companies in the healthcare industry.

The firm has a vast network of senior industry relationships, a thorough knowledge of market sectors and specialties, and unsurpassed experience and insight into the investment banking process.

Boston:

260 Franklin Street, 16th Floor
Boston, Massachusetts 02110
617-742-9800

Los Angeles:

315 S. Beverly Drive, Suite 504
Beverly Hills, California 90212
310-359-6600

www.providenthp.com