

Q1-2020 Private Equity Update

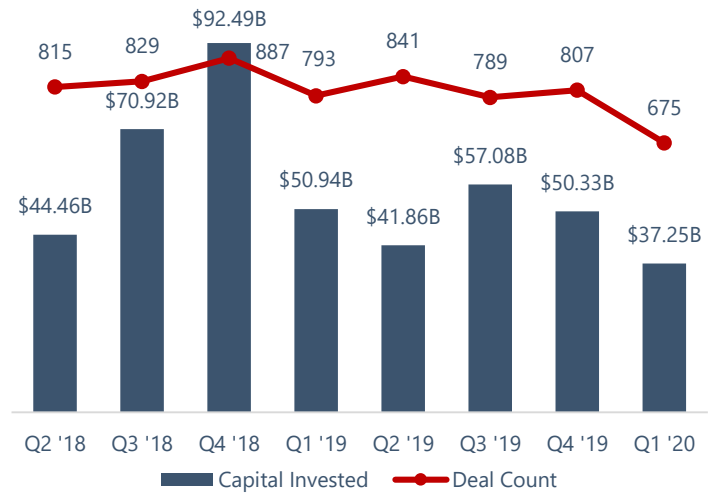
Market Update

Private equity fundraising remained consistent with historical trends, with \$133 billion raised across 267 funds in Q1 despite the global stagnation caused by the COVID-19 pandemic. However, deal volume was impacted toward the end of the quarter as sponsors wait to assess the economic impact of the pandemic.

Provident expects a drop in deal volume in the second quarter given the uncertainty in today's market. The investment landscape has changed rapidly due to growing caution by lenders on new commitments and increased efforts by private equity funds to support their existing portfolio companies. Many preexisting deal processes have been restructured or delayed as groups navigate through the crisis.

Despite the near-term challenges ahead, private equity funds can still generate strong returns for their investors as the crisis provides opportunities to invest at more attractive valuations. Sponsors are much better-equipped now compared to the last recession of 2007 – 2009, with higher levels of dry powder at their disposal and more flexible holding periods. Provident expects a surge of activity in the second half of 2020 or early 2021 when the crisis subsides.

Private Equity Investment & Deal Count



Sources:

1. Preqin's "Preqin Quarterly Update: Private Equity & Venture Capital Q1 2020"
2. PWC's "COVID-19 and the private equity industry"
3. Ernst and Young's "Why private equity can endure the next economic downturn"

Chart Source: PitchBook Data, Inc.

Select Transactions:

Month	Acquirer	Target	Healthcare Vertical	Notable Attributes
March	SV Health Investors	Doctors of Physical Therapy	Physical Therapy	SV Health Investors recapitalized Doctors of Physical Therapy (DPT), a leading outpatient physical therapy provider. Provident acted as DPT's financial advisor in the transaction.
March	TSG Consumer Partners	Pathway Veterinary Alliance	Animal Health & Veterinary Services	TSG Consumer Partners acquired Pathway Veterinary Alliance, a veterinary clinic chain, from Morgan Stanley Capital Partners for over \$2 billion.
February	The Edgewater Funds	At Home Healthcare	Home Care & Hospice	The Edgewater Funds recapitalized At Home Healthcare (AHH), a provider of home healthcare services throughout Texas. Provident acted as AHH's financial advisor in the transaction.
February	Sun Capital Partners, Inc.	West Dermatology	Dermatology	Sun Capital Partners acquired West Dermatology, a leading dermatology platform with over 50 locations.
January	Galen Partners	Evolve Treatment Centers	Behavioral Health	Galen Partners, a growth equity investment firm, recapitalized Evolve Treatment Centers, a leading mental health services provider for adolescents.
January	Abry Partners, Inc.	Centauri Health Solutions, Inc.	Healthcare IT	Abry Partners acquired Centauri Health Solutions, a provider of services to payors and providers in government sponsored healthcare programs.

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