
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 second quarter of 2020

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Q2 Market Update: After Slow Start, M&A Activity Recovers Sharply in the Second Quarter

Following a delay in deal closings near the end of the first quarter, the effect of COVID-19 resulted in slower deal flow in April and May, with transaction volume picking back up in June. Despite decreased transaction volume, \$73.5B of capital was invested as the quarter was characterized by outlying investments in a few key robust targets. Private equity firms have raised record amounts of capital in recent years and have actively sought opportunities to deploy this dry powder, while strategic acquirers have continued to be acquisitive to increase size and scale. Although it is clear that the COVID-19 pandemic contributed to the decrease in volume beginning in March, there has been a ramp up in activity moving out of the second quarter of 2020. With 42% of second quarter transactions taking place in the month of June, transaction closings appear to have been merely delayed during the most uncertain period of the pandemic. While portfolio companies underwent a difficult transitional period, with support from their private equity partners, they have had success repurposing their businesses towards telehealth services and continuing to provide care to patients, even in the face of stay-at-home orders. Still, others have created new essential business lines to aid in the response against the virus. Provident will continue to monitor the transaction environment as some states phase a reopening schedule while others prepare for a resurgence in cases.

Despite fewer transactions, there was significant healthcare services M&A activity in the second quarter, highlighted by multiple transactions in durable medical equipment (DME), healthcare IT, and pharmaceutical services. Within the DME sector, Spiro Health was formed through a merger of three northeast DME providers: America's HealthCare at Home, Cape Medical Supply, and Health Complex Medical. The combined company will provide care for clients in seven states and the District of Columbia, while each brand will be maintained and serve its respective markets.

In the healthcare IT sector, strong momentum continues into Q2 with over \$2.0 billion of capital invested in the quarter. One notable transaction leading the charge was The Blackstone Group's \$730 million acquisition of HealthEdge, a leading healthcare technology company that delivers Core Administrative Processing Systems solutions. Provident expects investment activity in the sector to remain strong due to the increased need for digital healthcare services, such as telehealth, in the wake of the COVID-19 crisis.

The pharmaceutical services sector also continued strong momentum into Q2 with Carlyle's investment of ~\$490 million for a 20% stake in Piramal's pharmaceutical business, Piramal Pharma Limited. This transaction values the business at roughly \$2.8 billion and is expected to help accelerate Piramal's organic and inorganic growth plans.

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⁾

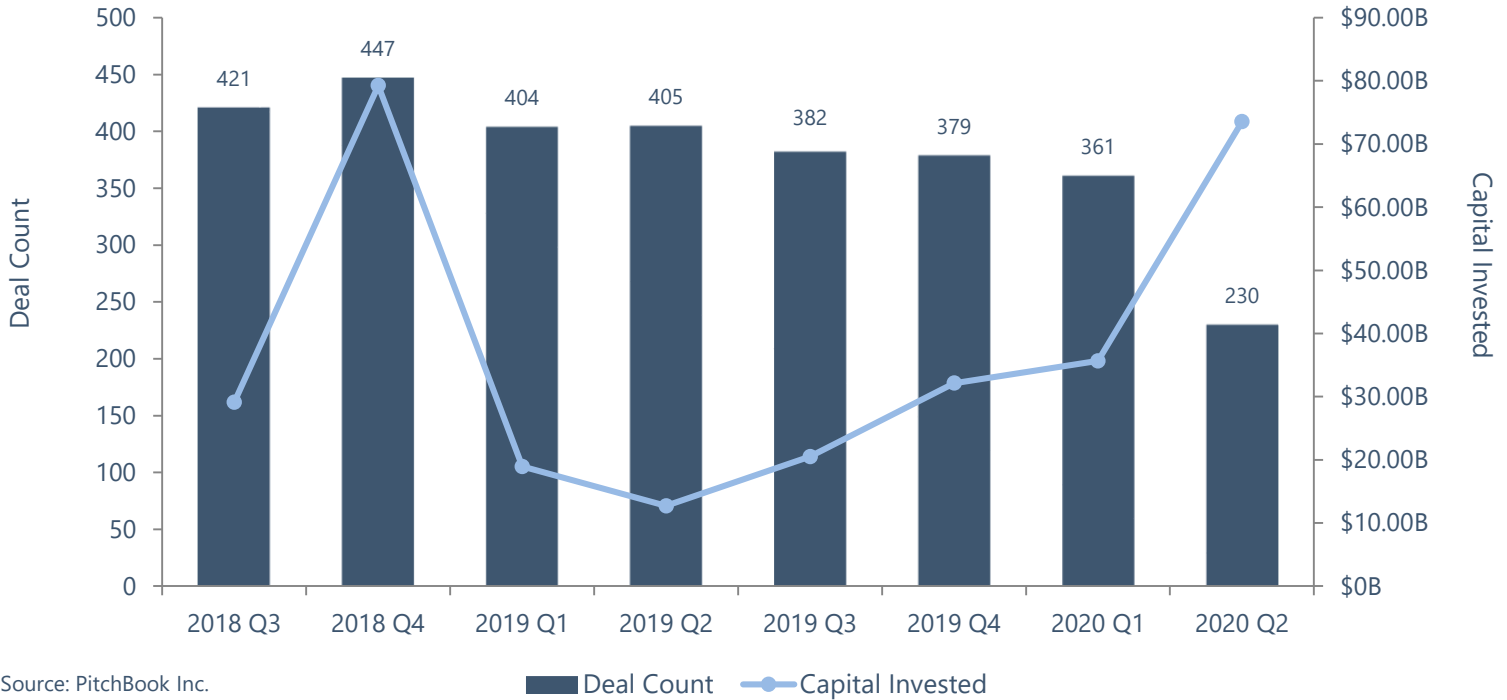
<p>Behavioral Health</p>  <p><i>Has been acquired by</i></p> 	<p>Durable Medical Equipment</p>  <p><i>Have merged to form</i></p>  <p><i>A portfolio company of</i></p> 	<p>Healthcare IT</p>  <p><i>Has been acquired by</i></p> 
<p>Home Health & Hospice</p>  <p><i>Has been acquired by</i></p> 	<p>Ophthalmology</p>  <p>THE RETINA GROUP OF WASHINGTON</p> <p><i>Has been acquired by</i></p> 	<p>Pharmaceutical Services</p>  <p><i>Has received investment from</i></p> 

⁽¹⁾: These are Q2 market transactions; Provident was not involved in these transactions.

Healthcare M&A Deal Stratification

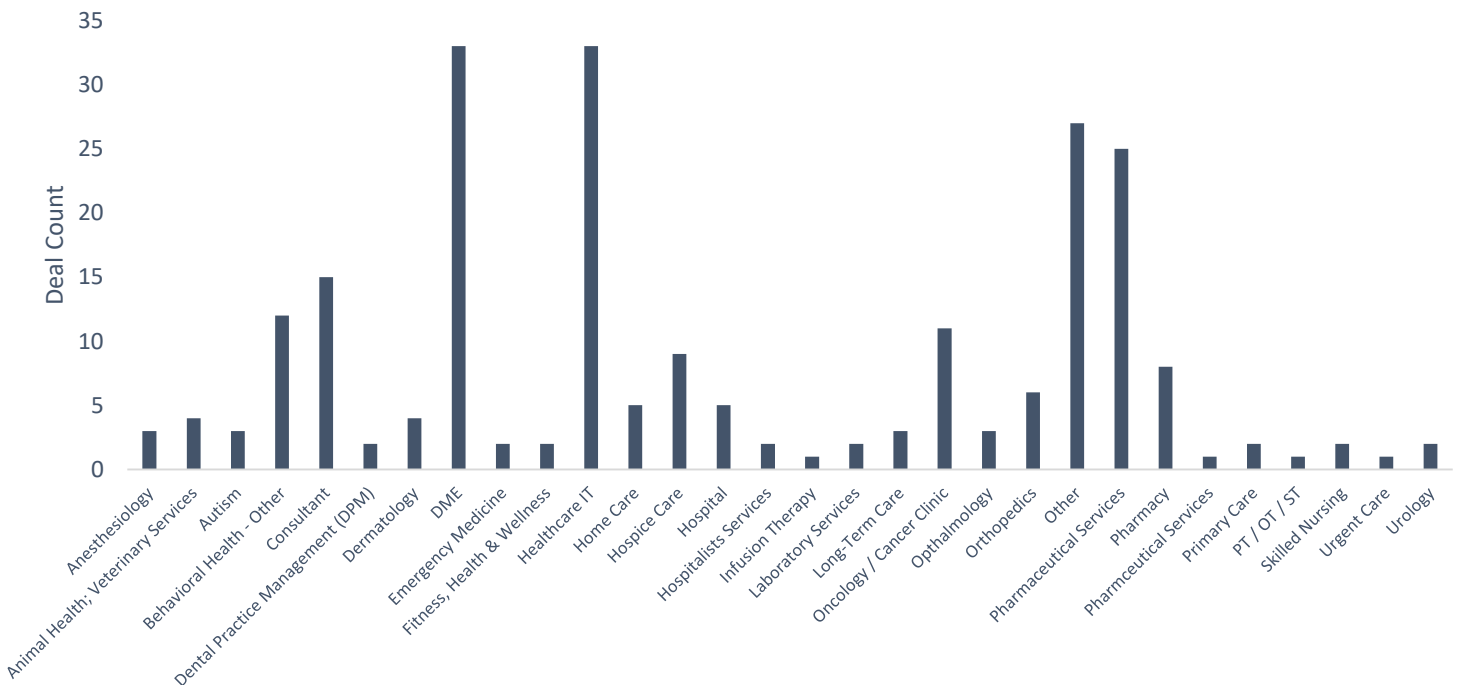
In the second quarter of 2020, 230 deals closed in the healthcare sector, with a large concentration in DME, Healthcare IT and Pharmaceutical Services. Although the overall deal volume in Q2 trailed prior quarters, the amount of capital invested (\$73.5B) is second only to the local maxima of \$79.3B in Q4 2018. Provident believes this effect is driven by an increased focus on Healthcare IT and similar companies with higher valuations, along with the impact of COVID-19.

Healthcare M&A Quarterly Deal Activity (Q3 2018 – Q2 2020)



Source: PitchBook Inc.

Q2 2020 Healthcare Services Deal Count



Provident Quarterly Update

In the second quarter of 2020, Provident closed two transactions in the healthcare sector, including one deal in urology and one in women's healthcare. Most notably, The Urology Group (TUG), partnered with Lee Equity Partners and Integrated Medical Professionals to form Solaris Health, a urology focused Management Services Organization.

Provident Q2 Transactions ⁽¹⁾

Urology



⁽¹⁾ Provident served as the exclusive sell-side financial advisor to TUG.

Provident Case Study

The Urology Group (TUG)

TUG Profile

- *HQ: Cincinnati, OH*
- *Locations: 14*
- *Partners: 37*

The Urology Group (TUG) engaged Provident as its exclusive financial advisor through a robust marketing and transaction process, which saw significant interest from private equity investors.

TUG elected to partner with Integrated Medical Professionals and Lee Equity Partners to form Solaris Health, a management services organization that will look to partner with leading urology practices across the country.

The partnership creates one of the largest independent urological services providers in the nation, with over 150 providers at more than 60 sites in New York, Ohio, Kentucky, and Indiana.

Upcoming Whitepaper

- "Investment & Consolidation in the Opioid/Medication-Assisted Treatment Industry" Robert Aprill (Senior Associate) and Christopher Purdy (Associate)

Podcast Episodes

- [Episode 12 of Provident's Healthcare Dealcast "How Covid-19 is Impacting M&A Activity Within Healthcare Services" is now available](#)

Q2-2020 Behavioral Health Update

Market Update


Consolidation within the Behavioral Health sector continued to see considerable activity even amongst COVID-19 as behavioral health platforms nationwide looked to bolster their service offerings. While the quarter was marked by a number of add-on transactions, the most noteworthy transaction announced was VSS and NewSpring Capital's partnership with Texas-based BRC Recovery, establishing the newest platform in the substance abuse space.

As the broader healthcare industry weathers the myriad of impacts related to COVID-19, behavioral health has proven to be more insulated from the global pandemic. Providers across all subsectors, including substance abuse, ABA therapy, eating disorders, and mental health have all leaned on telehealth services as a way to ensure both consistent treatment for patients while also maintaining revenue streams. Provident expects the increased presence of telehealth services in behavioral health to have a lasting impact on the industry even beyond the events of COVID-19.


Looking forward, Provident expects to see a robust merger and acquisition marketplace the balance of 2020.

Select Transactions:

Notable Pending Transaction:



OPTUM® is acquiring



- UnitedHealth Group's Optum, a health information technology and services provider, is in the final stages of completing its acquisition of the virtual behavioral care company, AbleTo, for a reported \$470M
- The acquisition follows Optum Ventures's "significant investment" in AbleTo, announced in January 2019
- AbleTo partners with payors to analyze health data to identify members believed to benefit from access to high-quality behavioral health care and provides solutions for individuals
- COVID-19 has strained access to behavioral health services, and UnitedHealth Group's clients will have access to a behavioral telehealth provider, with proven success in improving patient outcomes and lowering payor and provider costs

Autism Services				
Month	Acquirer	Target	Locations	State(s)
May	Acorn Health	Behavior Basics	1	VA

Mental Health & Addiction Treatment Services				
Month	Acquirer	Target	Locations	State(s)
April	VSS and NewSpring Health Capital	BRC Recovery Family of Programs	1	TX
April	DuPage Medical Group	Institute for Personal Development	10	IL
June	Kindred Healthcare	WellBridge Dallas & WellBridge Fort Worth	2	TX
June	Sharecare	MindSciences	n/a	MA

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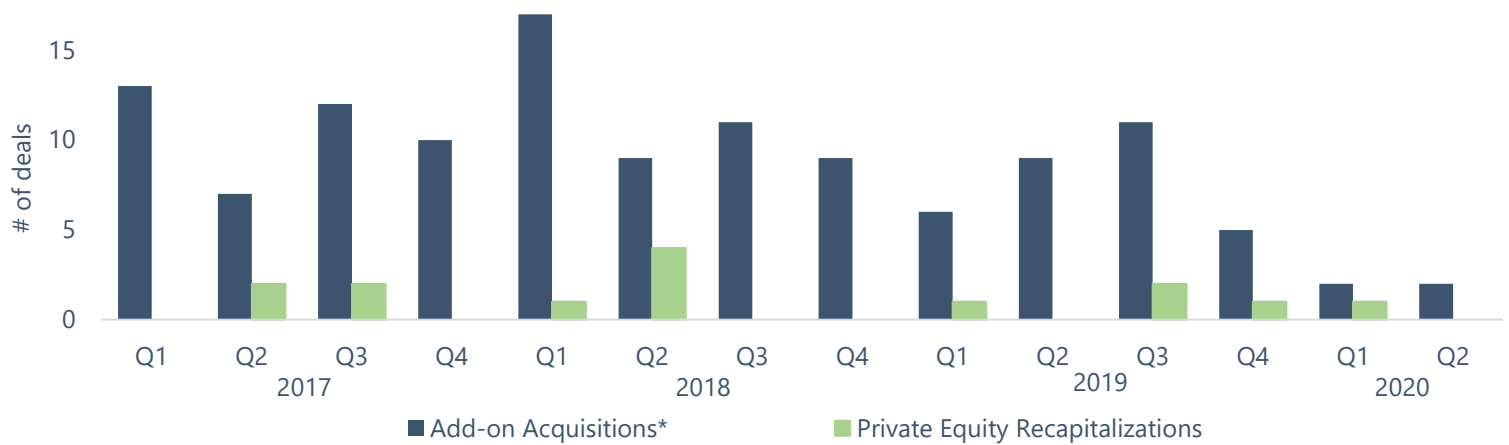
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Upcoming White Paper

Members of the Provident Healthcare Partners behavioral health coverage team will be publishing a white paper on the **Opioid Treatment** space and the impending wave of consolidation expected.

Q2-2020 Dermatology Update

Market Update



Deal activity within dermatology stalled in the beginning of the second quarter amidst a broader freeze in the M&A markets. The uncertainty caused by closure of non-essential businesses and broad scale quarantine caused most processes to go on hold until there was more visibility around a rebound in volumes, staffing levels, and business operations. Dermatology, in particular, was adversely impacted with patient volume cut by 50-70% in many practices.

The physician services, and dermatology, landscape has since seen a healthy rebound with volumes nationwide at or close to pre-COVID levels due to a massive backlog of pent up demand for services. Dermatology transaction volume began to restart in June as a result, with strategic deal activity leading the way.

Provident expects existing PE-backed platforms in good financial standing with successful Covid-19 mitigation plans to be acquisitive while other platforms may pause business development efforts in the near term to focus internally on financial and operational matters for the time being.

As deal activity continues to recover, Provident expects transactions to contain more structure to mitigate risk against a second wave or long term volume attrition. Structuring elements such as deferred consideration, earnout payments, and other mechanisms will be utilized in many deals to bridge financing gaps. Provident expects the risk of additional flare ups, patient sentiment, telemedicine adoption and disposable incomes to inform the prospects of M&A activity within the sector on a go-forward basis.

Select Transactions:

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

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
June	Anne Arundel Dermatology	Chevy Chase Cosmetic Center and Dermatology & Cosmetic Surgery Associates	2	8	MD
June	Pinnacle Dermatology	Lehman Advanced Dermatology	1	3	TN

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Recent Publications

Members of the Provident Healthcare Partners team recently published a white paper and podcast, related to COVID-19's impact on M&A markets, which can both be found on our website, along with other resources to help navigate through the impact of COVID-19.

Q2-2020 Durable Medical Equipment (DME) Update

Market Update

The second quarter of 2020 marked a continuation of the strong consolidation activity in the DME sector in 2019 and Q1 2020. Transaction activity for the quarter was concentrated outside of traditional DME providers. Businesses specializing in Complex Rehab Technology, Diabetic & Incontinence Supplies, and Wound Care continued to receive significant buyer interest as private equity firms and strategic consolidators look to expand their product portfolios and geographic footprints.

While many DME providers have been negatively impacted by decreased referral volume driven by COVID-19, Provident expects M&A activity in the sector to maintain its strong momentum into the second half of 2020, as the DME space remains relatively insulated from the negative economic effects of the pandemic.

Notable Consolidator



National Seating & Mobility (NSM), one of the largest operators in the Complex Rehab Technology (CRT) space, has had an extremely active Q2 2020. The Company, who was acquired by PE-firm Cinven in November 2019, made five CRT acquisitions in the quarter: AARO Medical Supplies (Aberdeen, WA), A Plus Medical Supply (Little Rock, AR), Sandia Wheelchairs (Albuquerque, NM), the CRT division of Hartman Brothers Medical Equipment (Grand Junction, CO), and Active Mobility Products (Kelowna, British Columbia). These acquisitions expanded the Franklin, TN-based NSM's geographic footprint immensely and will position the Company to achieve cost efficiencies through increased economies of scale. This aggressive inorganic growth strategy is a typical playbook employed by a PE-backed platform company.

Select Transactions:

Month	Acquirer	Target	Deal Description
April	Spiro Health	America's Healthcare at Home Cape Medical Supply Health Complex Medical	Spiro Health was formed via the merger of three Northeast DME providers: America's Healthcare at Home (Baltimore, MD), Cape Medical Supply (Sandwich, MA), and Health Complex Medical (Waterbury, CT). The newly formed entity will care for clients in seven states across New England and the DMV. Private equity firm NewSpring, in partnership with Upstream Capital, invested in Spiro, which is expected to pursue additional acquisitions in the near-term.
May	AdaptHealth	Solara Medical Supplies	AdaptHealth, a leading provider of home medical equipment in the US, acquired Solara Medical Supplies (Solara), a provider of continuous glucose monitors, insulin pumps, and other diabetes supplies, from PE-firm Linden Capital Partners who had acquired Solara in 2018. The acquisition will expand AdaptHealth's presence in the rapidly growing diabetes market while positioning the Company to grow its connected device capabilities to other areas such as CPAP's, pulse oximeters, and blood pressure cuffs.
June	Travis Medical	Allumed	Travis Medical, an Austin, TX-based complex rehab provider, combined operations with Temple, TX-based Allumed. The acquisition further solidifies Travis Medical's foothold in the Texas market, after expanding outside the state via its April 2019 merger with American Seating & Mobility (ASM), whose operations are concentrated in the Pacific Northwest.
June	Graham-Field Health Products	Gendron	Graham-Field (GF) Health Products, a leading manufacturer of medical products based in Atlanta, GA, acquired Gendron, a manufacturer specializing in beds, mobility, seating and transfer equipment for the bariatric market. The transaction represents GF's fourth acquisition in the past eight years.

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Q2-2020 Emergency Medical Services Update

Market Update

Transaction activity in the emergency medical services sector was relatively light in the second quarter of 2020. As expected, businesses have been forced to concentrate on internal issues related to the ongoing COVID-19 pandemic. Urgent medical providers initially anticipated a spike in financial performance due to COVID. However, stay at home orders had made patients less likely to go to an urgent care/ER unless absolutely necessary, and a desire for limiting unnecessary patient exposure has caused interfacility ambulance transports to decrease.

Select Transactions:

Month	Acquirer	Target	States	Deal Significance
Urgent Care:				
June	Urgent Care Partners	Merchant Medicine	N/A	Urgent Care Partners, a provider of outsourced urgent care services to health systems, has acquired Merchant Medicine, a consulting firm that assists retail-based healthcare businesses. The acquisition supports Urgent Care Partner's value-add to health and hospital system clients.
Ambulance Services:				
April	Superior Air Ground Ambulance Service	Beaumont Health	1	Michigan-based Beaumont Health has divested its ownership in its ambulance division, which includes Community Emergency Medical Service, Parastar, and Beaumont Mobile Medicine. All employees will contract with Superior Air Ground Ambulance Service post-transaction. The deal represents a growing trend of divestment of "non-core" business segments by larger health systems seeking to generate cash flow.
Emergency Medicine:				
April	Enhanced Healthcare Partners	EA Health		Enhanced Healthcare Partners, a NY-based private equity firm, invested in the merger of Synergy Surgicalists and EA Health. EA Health provides tech-driven clinical staffing and management services for emergency medicine businesses.

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Q2-2020 Healthcare IT Update

Market Update

The healthcare IT sector continued to be a sector of significant interest from private equity and strategic consolidators in Q2 2020. The impacts of the COVID-19 pandemic have caused healthcare providers to re-evaluate their capabilities in the digital health space, particularly within telehealth, effectively positioning healthcare IT companies to capitalize on this increased demand for their services. The federal government has also temporarily relaxed HIPAA regulations to increase access to telehealth services during the pandemic, an area which bears monitoring going forward as providers ensure their platforms remain compliant as regulations are tightened.

Although the COVID-19 crisis has led to some slowdown in M&A activity within other sectors, Provident expects investment in the healthcare IT sector to continue its momentum due to the increased need for digital health solutions in the wake of the crisis.

HCIT Public Comparable Multiples

Select Public Healthcare IT Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV/REV	EV/EBITDA
Allscripts	\$6.64	\$1.8B	\$84.2mm	1.17x	36.75x
Evolut Health	\$7.40	\$895.9mm	(\$42.0)mm	1.03x	N/A
Teladoc Health	\$208.89	\$605.5mm	(\$24.6)mm	26.98x	N/A
Inovalon Holdings	\$19.70	\$651.1mm	\$181.6mm	6.05x	21.25x

As of 7/3/2020

Select Transactions:

Month	Acquirer	Target	Target :		
			Business Segment	Headquarters	Deal Size
June	NewSpring Healthcare & TT Capital Partners	MacroHealth	Medical Business Solutions	Kirkland, WA	N/A
June	MTBC, Inc.	Meridian Medical Management	Revenue Cycle Management	Windsor, CT	N/A
June	Francisco Partners	Kyruus	Search & Scheduling Solutions	Boston, MA	\$30mm
May	Sunstone Partners	Med Tech Solutions	Medical Business Solutions	Valencia, CA	N/A
May	Net Health	Tissue Analytics	Wound Care Solutions	Baltimore, MD	N/A
May	HealthLynked Corp	Cura Health Management	Medical Business Solutions	Jacksonville, FL	\$1.75mm
April	Insight Partners Olive Tree Ventures Qualcomm Ventures	Tyto Care	Telehealth	New York, NY	N/A
April	Blackstone	HealthEdge	Core Administrative Processing Systems	Burlington, MA	\$730mm

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Q2-2020 Healthcare Staffing Update












Market Update

Despite furloughs and headcount reductions, employment is stabilizing. Registered nurse, medical and health manager, optometrist, and physician assistant job postings increased in June. Hospitals also posted job gains in June despite significant job declines in May. However, declines continued in nursing care facilities per Staffing Industry Analysts.

Notable Q2 transactions include Enhanced Healthcare Partners, who created a platform through merging EA Health and Synergy Surgicalists. The new platform currently includes ER and surgical staffing, and data analytics offerings. Additionally, Doximity, a physician medical network, acquired THMED, a healthcare staffing firm. Furthermore, Epic Healthcare Staffing, a portfolio company of Webster Equity, acquired Orbis Data Solutions, a provider of consulting and staffing services to pharmaceutical and contract research organizations.

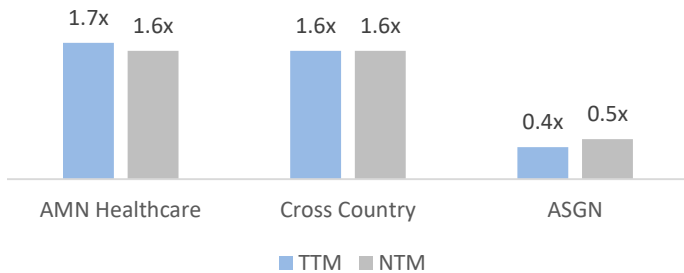
Staffing Industry Analysts projects growth for travel nursing in 2020 but declines in per diem nursing and locum tenens resulting from fewer elective surgeries, and temporary closures. However, SIA projects growth across all healthcare staffing verticals in 2021 as the country rebounds from the pandemic.

Notable Staffing Transactions in Q2 2020

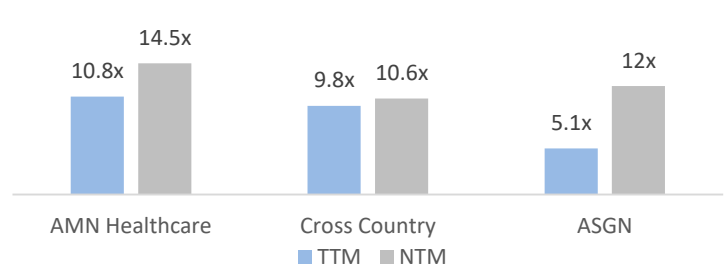
 Merged With  And was recapitalized by  June 2020	 was acquired by  June 2020	 was acquired by  June 2020	 was acquired by the delta companies  March 2020	 was acquired by  April 2020
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Industry Multiples

Enterprise Value to Revenue Multiples



Enterprise Value to EBITDA Multiples



Select Transactions

Source: CapIQ, as of July 8th, 2020

Month	Acquirer	Target	Service Lines	Presence
March	The Delta Companies	Foreman Therapy Solutions	Physical Therapy Staffing	Southwest
April	Epic Healthcare Staffing	Orbis Data Solutions	Staffing IT	Nationwide
June	Doximity	THMED	Healthcare Staffing	Nationwide
June	Enhanced Healthcare Partners	EAHealth/ Synergy Surgicalists	Healthcare Staffing	Nationwide

Upcoming Conference Sponsorship



Provident will be attending the SIA Healthcare Staffing Summit, which will be held on October 27-28, 2020 at the Marriott Marquis in Houston, TX. Members of the Provident staffing coverage team will be attending the event.

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Q2-2020 Home Health & Hospice Update

Market Update

While the home health and hospice M&A landscape remains relatively strong, deal closings have undoubtedly slowed in the first half of 2020. Strategic acquirers have continued to be active but some private equity investors have delayed pursuing new home health platforms until there is further insight on the long-term impact of PDGM, which has been further clouded due to disruption from COVID-19.

Hospice, on the other hand, has seen little disruption and continues to see a high level of demand from both strategic and private equity investors. Evident by Amedisys' acquisition of AseraCare Hospice, investors have and will continue to pay premium valuation multiples for hospice organizations.

Home Health & Hospice Comparable Multiples

Select Public Post Acute Care Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV / Rev	EV / EBITDA
National Healthcare Corp	\$60.39	\$1,004	\$60	1.13x	9.33x
Amedisys, Inc.	\$200.86	\$1,979	\$241	3.03x	24.81x
LHC Group, Inc.	\$177.78	\$2,090	\$209	2.16x	22.09x
Encompass Health	\$62.06	\$4,663	\$932	2.36x	11.54x

As of 3/31/2020

Revenue / EBITDA in \$000s

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
June	Traditions Health	Hospice with Grace	1	1	Traditions Health, a company of Dorilton Capital Advisors, has acquired Hospice with Grace to increase its presence in the Houston area.
May	The Pennant Group, Inc.	Prime Hospice and Harmony Hospice	2	1	The Pennant Group has acquired both Prime Hospice and Harmony Hospice in Arizona continuing Pennant's effort to expand its hospice care services.
May	CareCentrix	Turn-Key Health	1	1	CareCentrix has acquired Turn-Key Health, a leading community-based palliative care company serving health plans, hospitals, and physicians.
April	Missouri Home Hospice, LLC	HomeCare of Mid Missouri	3	1	Missouri Home Hospice has acquired HomeCare of Mid Missouri marking its fourth acquisition in its expansion of home care services in Missouri.
April	Choice Homecare of Texas	Nextgen Hospice	1	1	Choice Homecare of Texas has acquired Nextgen Hospice, which will expand Choice Homecare's services to include hospice in the Houston area, complementing its existing home health and rehab services.
April	Amedisys	AseraCare Hospice	44	14	Amedisys has acquired AseraCare Hospice, expanding its average census by 2,100 patients a day. The transaction was valued at \$235 million, inclusive of a \$32 million tax asset, effectively lowering the overall purchase price to \$203 million.

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Industry Conferences

While industry in-person conferences have been postponed, we would invite the opportunity to connect with executives and shareholders about some of the trends and transactions we are seeing in the home health and hospice space on a confidential basis.

Q2-2020 Laboratory Services Update

Market Update

The laboratory services market observed multiple deals in the second quarter, despite challenges facing the healthcare environment.

Genalyte's acquisition of BaseHealth and Quest's acquisition of Memorial Hermann Diagnostic Labs represent a growing interest in capturing diagnostics expenditures. While public funding for diagnostics has failed to meet public health demand, commercial players are positioning themselves to capture diagnostics investment in response to COVID-19.

Laboratory Services Public Trading Multiples

Company	Ticker	EV	Revenue	EBITDA	EV/REV	EV/EBITDA
LabCorp	LH	\$23.6B	\$11.6B	\$1.8B	2.0x	12.6x
Quest Diagnostics	DGX	\$20.0B	\$7.7B	\$1.5B	2.6x	13.6x
Eurofins	ERFSF	\$15.8B	\$5.2B	\$907M	3.0x	17.4x

As of 6/30/2020

Select Transactions:

Month	Acquirer	Target	Deal Description
June	Infinity Laboratories	MicroMed Laboratories	Infinity Laboratories, a chemical and microbiological lab, announced that it has acquired MicroMed Laboratories, the Environmental Monitoring and Testing Services division of Sonoma Pharmaceuticals (NASDAQ: SNOA). MicroMed, headquartered in Petaluma, CA, offers cleanroom service, validations, and environmental monitoring as well as a wide variety of microbiology tests.
June	Chr. Hansen	UAS Laboratories	Chr. Hansen, a leading global bioscience firm, has entered into an agreement to acquire UAS Laboratories, a digestive health company, from Lakeview Equity Partners for \$530 million. The acquisition of UAS Labs, which is expected to produce \$85 million in 2020 revenue before synergies, will strengthen Chr. Hansen's global microbial platform.
April	Genalyte	BaseHealth	Genalyte, a next-generation provider of rapid diagnostic services, announced that it has acquired BaseHealth, a Bay Area healthcare data analytics company. The combined company will offer onsite, rapid diagnostics with data analytics capabilities to improve accuracy and efficiency of patient testing.
April	Quest Diagnostics	Memorial Hermann Diagnostic Laboratories	Quest Diagnostics (NYSE: DGX), the leading provider of diagnostic information services, and Memorial Hermann Health System, a not-for-profit health system that includes 17 hospitals and more than 300 care delivery sites in the Greater Houston region, announced a long-term collaboration intended to broaden access to innovative, high-value laboratory services for providers and patients.

Provident Industry Coverage Team

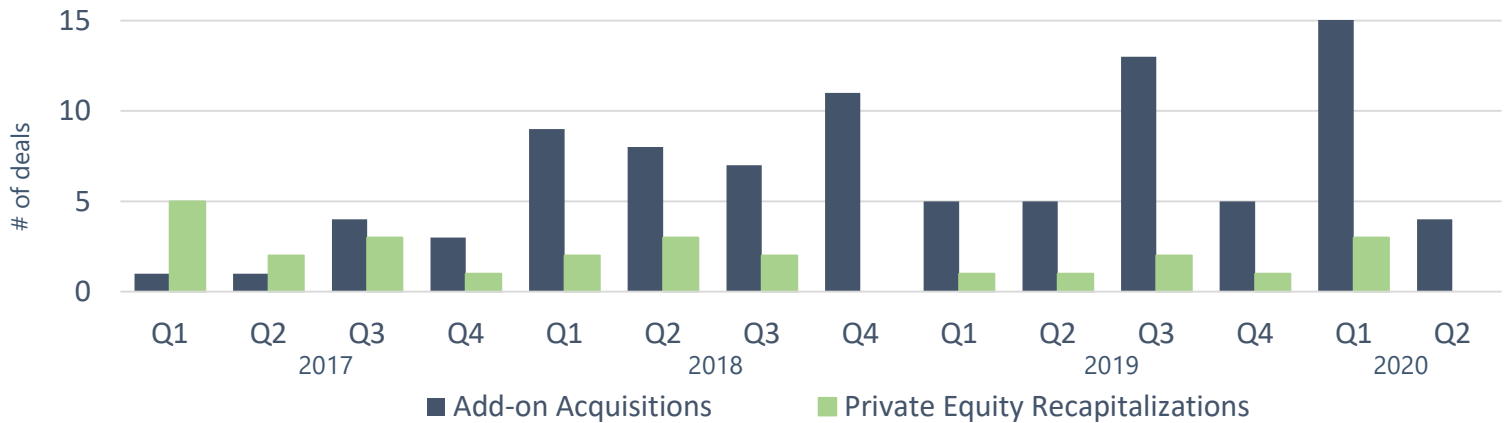
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Q2-2020 Ophthalmology Update

Market Update



An exceptionally robust M&A market within ophthalmology came to a brief but screeching halt in April and May as deal participants tried to get a handle on COVID-19's near and long term impact within the sector. We've since seen deal activity start to pick back up as many practices have recovered to or near pre-COVID levels prompting the resumption of deals that were previously put on hold.

Barring additional government-mandated office closures, ophthalmology practices have proved to be fairly resilient during the pandemic due to the medically necessary nature of procedures associated with cataracts, retinal diseases and glaucoma. Retina practices, in particular, have fared well and have shown to be more insulated than most other sectors within physician services, increasing the subspecialty's appeal.

Provident expects transaction volume to continue to accelerate as the many processes that were put on hold in March and April created a massive backlog of pent up deals. Most of these deals will likely close in the latter half of 2020 as investment appetite remains strong, however the structure of those deals will likely look a bit different given the uncertain environment.

Financing markets are still behind equity markets in gaining comfort around the go-forward prospects of provider-based businesses in a post-COVID environment and tight lending markets could continue to restrict a buyer's ability to finance transactions. Because of this, many deals are likely to be structured with some type of deferred consideration or seller note to help bridge the financing gap and provide the buyer comfort with the added risk. Case count, local response and patient sentiment will be key factors that will greatly impact deal activity moving forward.

Select Transactions:

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

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
June	Prism Vision Group	Retina Group of Washington	17	32	MD, VA, DC
June	EyeCare Partners	Arizona Eye Institute & Cosmetic Laser Center of Phoenix	1	3	AZ
June	EyeSouth Partners	Mitchell Refractive	1	2	FL
June	EyeSouth Partners	Coastal Eye Associates	5	14	TX

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Upcoming White Paper

Members of the Provident Healthcare Partners vision care coverage team are publishing an updated ophthalmology white paper to be released in the second half of 2020

Q2-2020 Pharmaceutical Services Update

Market Update

Merger and acquisition activity in the outsourced pharmaceutical services landscape continued, albeit at a slower pace than observed in prior quarters. While clinical trials have ceased in the U.S. and abroad, demand for later stage development and manufacturing has continued at a steady pace. This has allowed transactions of target companies focused on manufacturing and other non-patient facing services to continue. Provident expects the downturn in clinical trial activity to potentially lead to suppressed M&A activity in the coming quarters, as sponsors and outsourced service partners lose momentum on emerging therapeutics.

Select Transactions:

Month	Acquirer	Target	Target Focus	Deal Description
June	Piramal Pharma Solutions	G&W Laboratories (Oral Small Dosage Facility)	CDMO	Piramal Pharma Solutions acquired an Oral Small Dosage (OSD) facility from U.S.-based G&A Laboratories. While most outsourced OSD manufacturing has been moved to India, many sponsors are still in demand for U.S.-based facilities.
June	Repligen	Engineering Molding Technology	Biologics Development	Repligen acquired Engineering Molding Technology, a manufacturer of single-use silicone assemblies and components for the development of biologics. The acquisition allows Repligen to capture an integral portion of its supply chain in order to more effectively service its CDMO clients.
June	Frontage Holdings	ACME Bioscience	CRO	ACME Bioscience has been acquired by Frontage Holdings. ACME provides discovery, medicinal, and process chemistry research to biopharmaceutical companies globally. The acquisition will support Frontage's expansion outside of its current markets in North America and Asia.
June	MLM Medical Labs	CirQuest Labs	CRO	MLM Medical Labs acquired CirQuest Labs as part of its expansion to the United States. CirQuest specializes in biomarker testing for clinical trials and pharmaceutical companies globally.

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Q2-2020 Pharmacy & Infusion Services Update

Market Update

The pharmacy services market observed healthy deal activity across specialty, compounding, and E-Pharmacy management. While public health demands have restricted foot-traffic in the retail setting, pharmacy players are relying on recent investments in delivery systems and patient-centric technology to promote patient outcomes. This has positioned many stakeholders to succeed during the COVID-19 pandemic. While onboarding of new patients will remain artificially suppressed through the coming quarters, Provident expects an eventual uptick in patient volume as diagnostics of new patients catches up to real demand.

Select Transactions

Month	Acquirer	Target	Pharmacy Sub-Sector	Deal Significance
June	IngenioRX	ZipDrug	E-Pharmacy	IngenioRx, a wholly owned subsidiary of Anthem, announced its acquisition of ZipDrug, an innovative pharmacy management company that also offers home prescription delivery. IngenioRx is well-positioned to deliver stronger patient outcomes and reduced costs for consumers.
June	BioMatrix Specialty Pharmacy	City Drugs Specialty Pharmacy	Specialty Pharmacy	BioMatrix expanded its retail footprint to include 12 locations nationwide via its acquisition of City Drugs in New York City, which will improve its reach in key therapeutic categories. BioMatrix is a portfolio company of Triton-Pacific and ACON Investments.
June	Kinderhood	Paramount Specialty Pharmacy & PharmaBlue Holdings	Specialty Pharmacy	Kinderhood acquired Paramount and PharmaBlue to create a merged platform which provides on-site and central fill pharmacy services, featuring 63 pharmacies that serves more than 120,000 patients. The combined company will operate under the name of Avita Pharmacy.
May	Wedgewood Pharmacy	Wildlife Pharmaceuticals & Leiters Enterprises	Compounding Pharmacy	Wedgewood Pharmacy, a compounding pharmacy that serves both human health and veterinary markets, has entered into definitive agreements with WildLife, a provider of veterinary medicine, and Leiters Enterprises, owner of a pharmaceutical manufacturing plant.

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Upcoming Conference



*National Association of Specialty Pharmacy (NASP)
 Annual Meeting (Tentative)
 September 14 – 17, Washington, D.C.*

Q2-2020 Physician Services Update

Market Update

The second quarter of 2020 exhibited continued consolidation in the physician services market. Many sub-specialties in physician services have rebounded quickly from government shutdowns, resulting in both financial and strategic buyers continuing to execute on their investment mandates. Given macro-level concerns, many deals have been closed under unique deferred payment structures, which are tied to the business' rebound from the global health crisis. We expect to see similar structures going forward as both sponsors and sellers remain eager to execute on growth initiatives.

Notable Transaction



Provident served as lead advisor to The Urology Group in its partnership with Lee Equity Partners. The Urology Group is a Cincinnati-based provider of urological services with 37 physicians and 14 locations. Lee Equity Partners led the partnership with The Urology Group and Integrated Medical Professionals to form Solaris Health.

Select Transactions:

Anesthesia					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
June	National Partners in Healthcare	Valley Anesthesiology Consultants	18	27	NV
May	NAPA	American Anesthesiology	1,275	340	15 states

Gastroenterology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
May	US Digestive Health	Carlisle Digestive Disease Associates	5	1	PA
April	Webster Equity Partners	Gastro One	30	10	TN, MS

Multispecialty					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
June	Enhanced Healthcare Partners	Synergy Surgicalists Inc. & EA Health	N/A	~50	N/A

Urology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
June	Lee Equity Partners	The Urology Group ¹	37	14	OH, IN, KY
June	Lee Equity Partners	Integrated Medical Professionals	100+	50	NY

Women's Health					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
June	Advantia Health	Reiter, Hill, Johnson & Nevin	20	3	DC, MD, VA
May	Amulet Capital Partners	Shady Grove Fertility	61	38	FL, GA, MD, NY, PA, VA, DC

(1) Provident served as exclusive financial advisor

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Upcoming Whitepaper:

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Provident is issuing a white paper in the coming month on the oncology vertical, which will include insights into the sector as well as COVID-19's impact on the transaction environment.

Q2-2020 Private Equity Update

Market Update

While the second quarter saw a slight uptick in private equity invested capital, deal volume dropped by more than 50% from Q1 due to the COVID-19 pandemic's effects on the US economy. PE groups and their potential investment targets shifted their focus away from M&A in order to address diminished volumes, workforce issues, and cash flow management. A positive note however, has been a willingness by most funds to push transaction timelines back rather than abandoning deals altogether. Private equity firms continue to sit on a significant level of dry powder earmarked for investment and, with the expectation economic activity will ramp up in the second half of the year, investors have sought to restructure transactions to mitigate risk and obtain necessary financing approvals. Provident's deal flow has mirrored this trend, with two closed transactions during the second quarter despite COVID-19 related business disruption.

Common themes among these restructured transactions have been larger equity checks, greater earn outs, and deferred payments in order to keep overall valuations attractive to sellers. Provident expects to see buyers incorporate more creative financing plans and unique deal structures throughout the second half of 2020 to overcome today's tighter debt markets. These factors, along with growing visibility around business reopening and consumer sentiment, will lead to an increase in deal volumes and invested capital in subsequent quarters.

Select Transactions:

Month	Acquirer	Target	Healthcare Vertical	Deal Description
April	Veronis Suhler Stevenson & NewSpring Health Capital	BRC Healthcare	Substance Abuse and Mental Health	BRC has an extensive network of substance abuse clinics. In partnership with VSS and Newspring who have investments in behavioral health, the company is poised to grow their presence with add-on acquisitions.
April	The Blackstone Group	HealthEdge	Healthcare IT	HealthEdge, a leader in Healthcare payer technology has partnered with Blackstone. Valued at roughly \$700 million, HealthEdge will serve as the platform for Blackstone's growth unit in healthcare IT.
April	Webster Equity	Gastro One	Gastroenterology	Gastro One, Tennessee's largest provider of GI services has partnered with Webster Equity in a deal valued at \$80 million. The deal will form One GI, a MSO aiming to partner with leading gastroenterology practices.
May	Amulet Capital	Shady Grove Fertility	Fertility	Shady Grove fertility, the largest independent fertility practice in the U.S. has been acquired by Amulet Capital. The deal establishes, US Fertility, the largest physician owned fertility organization in the United States.
June	Lee Equity	The Urology Group & Integrated Medical Professionals	Urology	The Urology Group and Integrated Medical Professionals, two large urology practices, have partnered with Lee Equity to form Solaris Health, a leading urology MSO.

Private Equity Investment & Deal Count

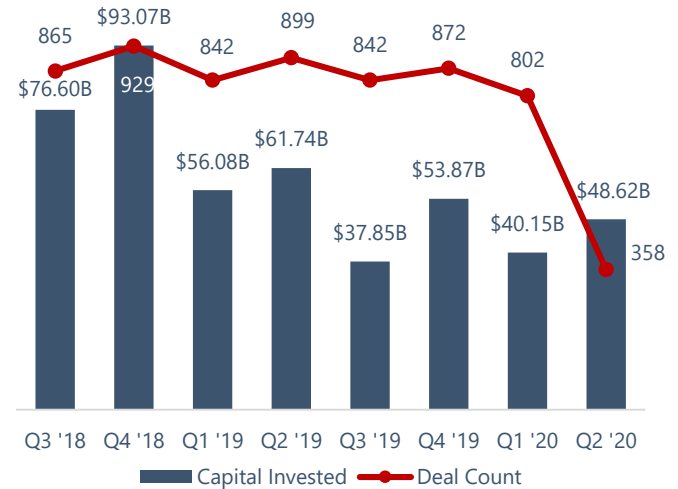


Chart Source: PitchBook Data, Inc.

Sources:

1. Prequin's "Prequin Quarterly Update: Private Equity & Venture Capital Q2 2020"
2. Middle-Market Healthcare Private Equity M&A Trends and Terms in the Current COVID-19 Environment
3. White & Case: Healthcare M&A prospers, despite fall in deal activity

Provident Deal Spotlight



Provident served as the exclusive adviser to The Urology Group, a nationally recognized Cincinnati-based provider of urological services with 37 physicians and 14 locations, in their partnership with Lee Equity and Integrated Medical Professionals to form Solaris Health, a management services organization.

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Q2-2020 Rehabilitation Update

Market Update

While interest in the rehabilitation sector remains strong, deal closings undoubtedly slowed in the second quarter of 2020. Private equity investors have delayed pursuing new platform transactions until there is further insight on the long-term disruption from COVID-19. Existing platforms have remained focused on their current operations and expanding strategic initiatives such as digital health solutions to minimize disruption from the crisis. The acquisition of Physera, a virtual physical therapy startup, reinforced the trend of strategic and investor interest in companies with remote healthcare capabilities.

As COVID-19 patients return home from the Intensive Care Unit, many will require physical therapy services in order to return to normal life. Post Intensive Care Syndrome (PICS), a term used to describe the illness people experience after a stay in the ICU, can manifest as problems with physical and cognitive function. PICS cases are expected to increase as a result of the COVID-19 pandemic, resulting in an increased demand for rehabilitation services. Coupled with a pent-up demand from those who paused treatment due to COVID-19, the physical therapy sector looks poised for a sharp rebound throughout the remainder of 2020. Provident expects a return to normalcy for bolt-on and platform M&A activity as we gain a better understanding of the near and long-term effects of the pandemic.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
April	Empower Physical Therapy	Premier Rehab Physical Therapy	6	Texas	Empower Physical Therapy has acquired Premier Rehab and Physical Therapy increasing their clinic count to 40 locations across Arizona, California, Louisiana, and Texas
May	Omada Health	Physera, Inc.	Online	Online (HQ in California)	Omada Health acquired virtual physical therapy startup, Physera, further expanding its services into the virtual musculoskeletal space. The transaction was reportedly valued at \$30 million by CNBC.
June	ProSport Physical Therapy & Performance	Green and Moncrief	2	California	ProSport Physical Therapy & Performance has added two additional Orange County clinics with the acquisition of Green and Moncrief as part of its aggressive growth plan to acquire several physical therapy clinics in Orange County this year.

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Upcoming Conference

While industry in-person conferences have been postponed, we would invite the opportunity to connect with executives and shareholders about some of the trends and transactions we are seeing in the rehabilitation space on a confidential basis. Please reach out via email or telephone to discuss further.

Concluding Thoughts

Provident expects the merger, acquisition, and private equity investment activity that we observed in the latter half of Q1 2020 and Q2 2020 to ramp up its pace in the near-term as the market begins to adapt to the effects of the COVID-19 pandemic, though the duration of this pandemic remains unclear. Private equity and strategic acquirers that were initially forced to focus their efforts on existing investments and company operations amidst the steep drop-off in economic activity and increased market volatility, are now refocusing on delayed transactions and potential acquisitions.

During this mid-pandemic period, sectors such as DME, healthcare IT and pharmaceutical services, especially research-oriented organizations, have been shown to be the most resilient. Provident predicts a significant increase in both transaction volume and invested capital as other sectors and the broader economy recover.

Provident will continue to monitor how these dynamics shift as the market environment continues to evolve.



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.

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