
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 third quarter of 2020

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Q3 Market Update: Market Activity Continues to Move Forward, Despite Pandemic

Following the economic restart, there was a promising rebound in consolidation activity in the third quarter. Provident attributes improved deal-making activity, despite the pandemic, to increasing visibility around consumer sentiment and economic conditions, especially as states continue reopening under restrictions. For the healthcare sector, this rebound has included the re-opening of businesses for non-emergency medical procedures that were initially sidelined due to virus-related shutdowns. For many healthcare companies, volumes have either returned to normal or increased as patients caught-up on overdue procedures and services deferred in the previous months.

As companies, investors, and consolidators adjust to the new normal, these improving economic conditions have led many industry participants to resume their pursuit of merger, acquisition, and investment opportunities. For operators, stabilized operations have allowed managers and shareholders to refocus on transaction initiatives and new growth opportunities. As an example, The Providence Service Corporation, a leading provider of non-emergency medical transportation services, announced its acquisition of Simplura Health Group, a multistate personal care services agency, in a \$575m transaction aimed at expanding the company's operations into the home care arena. Private equity firms have similarly been able to redirect attention from portfolio company operations to new investment opportunities. In a deal indicative of evolving private equity sentiment in physician services, FFL Partners announced the creation of U.S. Orthopedic Partners, a platform for expansion and consolidation within the orthopedic specialty. These factors have led to an overall increase in activity; although overall capital invested was down from Q2 to \$12.6B, deal volume has increased from last quarter, showing promising signs for Q4 and 2021.

Within the Veterinary Services sector, there were a number of transactions in the third quarter. Berkshire Partners acquired VetStrategy at a valuation of \$1.4 billion, one of the largest transactions this year in the space. VetStrategy has over 600 veterinarians, 180 hospitals and is in nine Canadian providences. Additionally, Compassion-First acquired Long Island Veterinary Specialists in the Northeast. The company now has 43 specialty and emergency veterinary hospitals located in 12 states.










Healthcare IT remains highly active as investors continued to pursue transactions in the sector, capturing 29 deals for the third quarter. The healthy demand for investments in this space can be observed through Teladoc's strong appetite for acquisition activity in 2020. Following Teladoc's acquisition of InTouch Health in June, the telehealth giant announced yet another mega-merger with the acquisition of Livongo, a digital health management company, for \$18.5B. Also in this quarter was a \$1.35B merger between eSolutions and Waystar, a revenue cycle management provider, representing another example of consistently high valuations within Healthcare IT.

Radiology recorded markedly strong activity, illustrated by Radiology Partners' \$885M acquisition of MEDNAX Radiology Solutions. The transaction integrates two leading radiology players to establish a premier industry provider with increased quality and scalability of services in order to drive cost savings to the bottom line. The combined entity comprises 2,400 radiologists with a presence in 50 states.

As year-end approaches, Provident expects that overall consolidation activity will continue to increase as newly marketed opportunities appeal to a refocused investor universe and transaction closings delayed by the pandemic cross the finish line.

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⁾

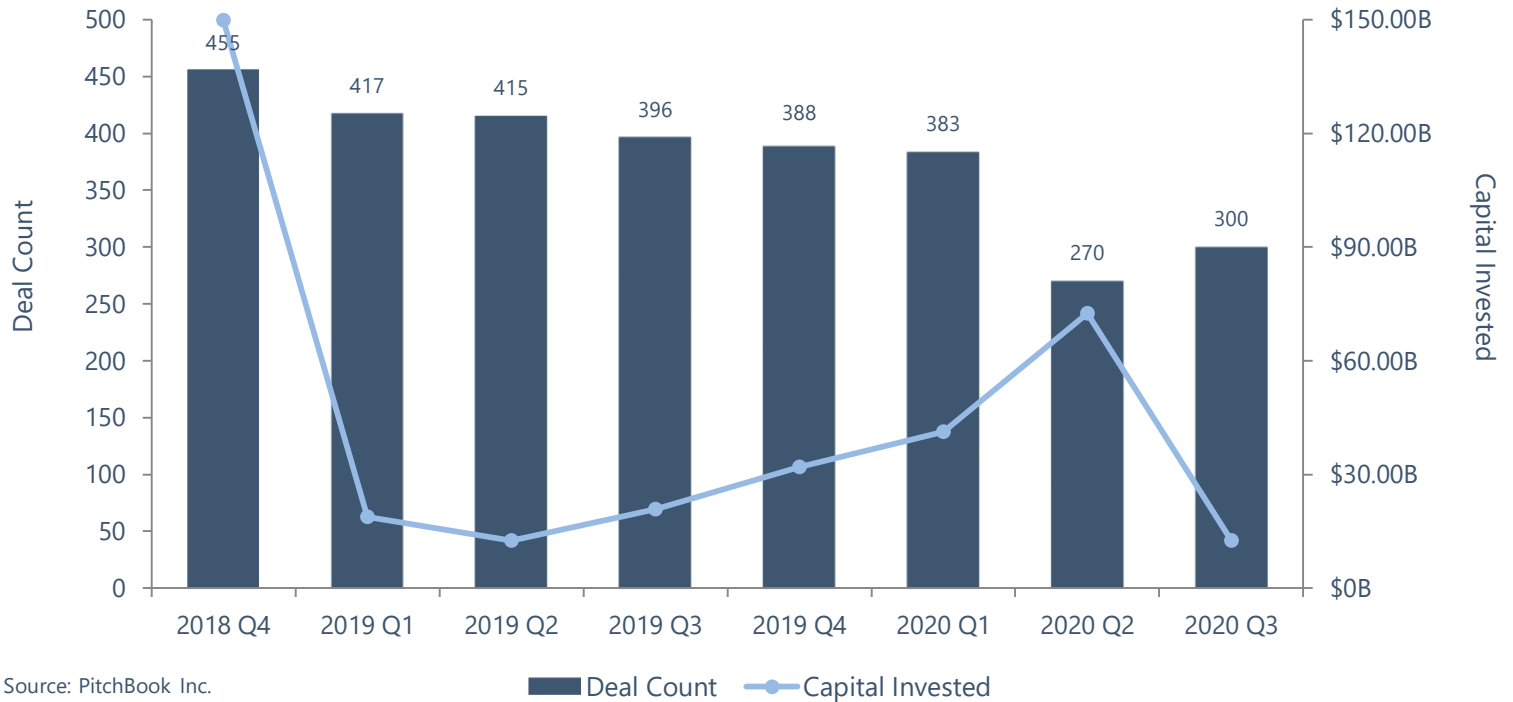
<p>Radiology</p>  <p><i>Has been acquired by</i></p> 	<p>Healthcare IT</p>  <p><i>Has been acquired by</i></p> 	<p>Healthcare IT</p>  <p><i>Has been acquired by</i></p> 
<p>Anesthesiology</p>  <p><i>Has been acquired by</i></p> 	<p>Rehabilitation</p>  <p><i>Has been acquired by</i></p> 	<p>Veterinary Services</p>  <p><i>Has been acquired by</i></p> 

⁽¹⁾: These are Q3 market transactions; Provident was not involved in these transactions.

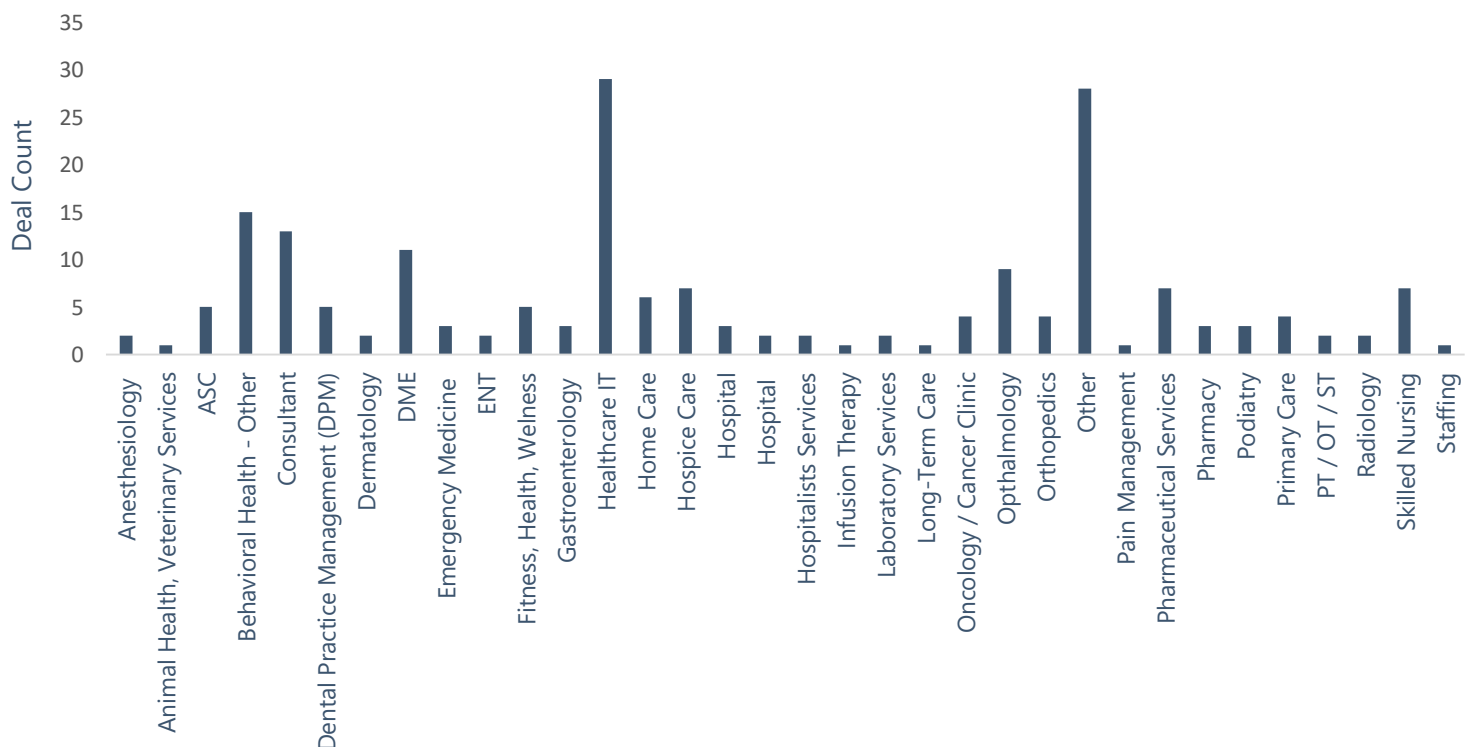
Healthcare M&A Deal Stratification

In the third quarter of 2020, 300 deals closed in the healthcare sector, with a large concentration in behavioral health and healthcare IT. Overall deal volume improved incrementally as compared to the previous quarter while invested capital fell to its lowest point since Q3 2018, a trend that reflects suppressed platform activity with an emphasis on smaller add-on transactions. Furthermore, the quarter-over-quarter growth in deal volume demonstrates a gradual recovery from the impact of COVID-19 that is expected to continue on a go-forward basis.

Healthcare M&A Quarterly Deal Activity (Q4 2018 – Q3 2020)



Q3 2020 Healthcare Services Deal Count



Provident Quarterly Update

In the third quarter of 2020, Provident closed two transactions in the healthcare sector, including one deal in gastroenterology and another in retina; both clients partnered with strategic acquirers, each private equity-backed. Retina Health Center (RHC) is based in Fort Myers, FL with locations in Southwest Florida and Illinois Gastroenterology Institute (IGI) is headquartered in Peoria, IL.

Provident Q3 Transactions ⁽¹⁾

Ophthalmology



Gastroenterology



⁽¹⁾ Provident served as the exclusive sell-side financial advisor to RHC and IGI.

Provident Case Study

Retina Health Center (RHC)

RHG Profile

- *HQ: Fort Myers, FL*
- *Locations: 2*
- *Partners: 3*

Retina Health Center (RHC) engaged Provident as its exclusive financial advisor to explore a potential strategic partnership.

Retina Health Center (RHC), a comprehensive provider of retina services in South Florida, partnered with US Eye, an eye care platform backed by Pamlico Capital. US Eye is a leading multi-specialty practice with numerous locations in both South Carolina and Florida.

The addition of RHC bolsters US Eye's retina presence in the Southeast US region, as part of a regional expansion strategy.

Provident Case Study

Illinois Gastroenterology Institute (IGI)

IGI Profile

- *Peoria, IL*
- *Locations: 2*
- *Partners: 9*

Illinois Gastroenterology Institute (IGI) engaged Provident as its exclusive financial advisor through a robust marketing and transaction process, which saw significant interest from private equity investors.

IGI, the second largest independent gastroenterology practice in Illinois, partnered with GI Alliance (GIA). GIA, a portfolio company of Waud Capital, is the largest private equity-backed gastroenterology practice in the U.S.

Alongside its affiliated physicians, GIA also invested in Central Illinois Endoscopy Center (CIEC), which will remain majority-owned by physicians and GIA.

Most Recent Whitepaper

- ["Investment and Market Trends in Workers Compensation Ancillary Services"](#)

Podcast Episodes

- [Episode 13 of Provident's Healthcare Dealcast "Tax Implications of a Transaction" is now available](#)

Q3-2020 Behavioral Health Update

Market Update

In Q3, activity within the Behavioral Health M&A market continued the recovery seen in previous quarters. The market saw a considerable amount of activity within the medically assisted treatment and substance abuse sectors. Services within these sectors were particularly resistant to the economic downturn given their status as essential businesses. The quarter saw an influx of deals, primarily driven by PE backed platforms aggressively targeting regional addiction treatment providers within the SUD and MAT sectors as add-on acquisitions.

Despite some return to normalcy, the effects of the pandemic have had a lasting impact on the mental health space. Since the beginning of the COVID-19 pandemic, the percentage of Americans reporting symptoms of anxiety and depression, has increased three-fold and four-fold respectively. In addition to this, 13% of Americans reported increases in substance abuse to cope with the mounting stress brought on by the pandemic. As unemployment and job security continue to be issues these problems will persist.

Provident believes that rising demand for behavioral health services in the coming months will drive M&A activity and is expecting transaction volume to remain robust through the end of the year.

Transaction Spotlight:



- Blue Sprig pediatrics acquired Aptitude Habilitation services, a multi-state provider of center and home-based ABA services for children with ASD
- The acquisition of Aptitude expands Blue Sprig's footprint into CO, NC, TN, HI and VA, all new states for the platform
- Blue Sprig will now have the reach to service children in 15 different states making it one of the largest providers of ABA services nationally
- This transaction marks Blue Sprig's seventh add-on since their buyout in 2017. They remain one of the most active consolidators in the autism services market

Select Transactions:

Autism Services & General Mental Health Services				
Month	Acquirer	Target	Locations	State(s)
August	Proud Moments ABA	Autism & Behavior Consulting Services	1	TN
August	Blue Sprig Pediatrics	Aptitude Habilitation Services	10	CO, HI, NC, OK, TN, CA, TX, WA
July	Column Health	Center for Psychiatric Medicine	1	MA

Addiction & Medically Assisted Treatment (MAT)				
Month	Acquirer	Target	Locations	State(s)
August	Providence Treatment	Main Line Recovery	4	PA
August	Pinnacle Treatment Centers	HealthQwest	2	GA
July	BrightView	Rebound Recovery	4	OH, KY
July	Baymark Health Services	Middlesex Recovery	4	MA
July	Odyssey Behavioral Healthcare	Clearview Treatment Programs	1	TX

Provident Industry Coverage Team

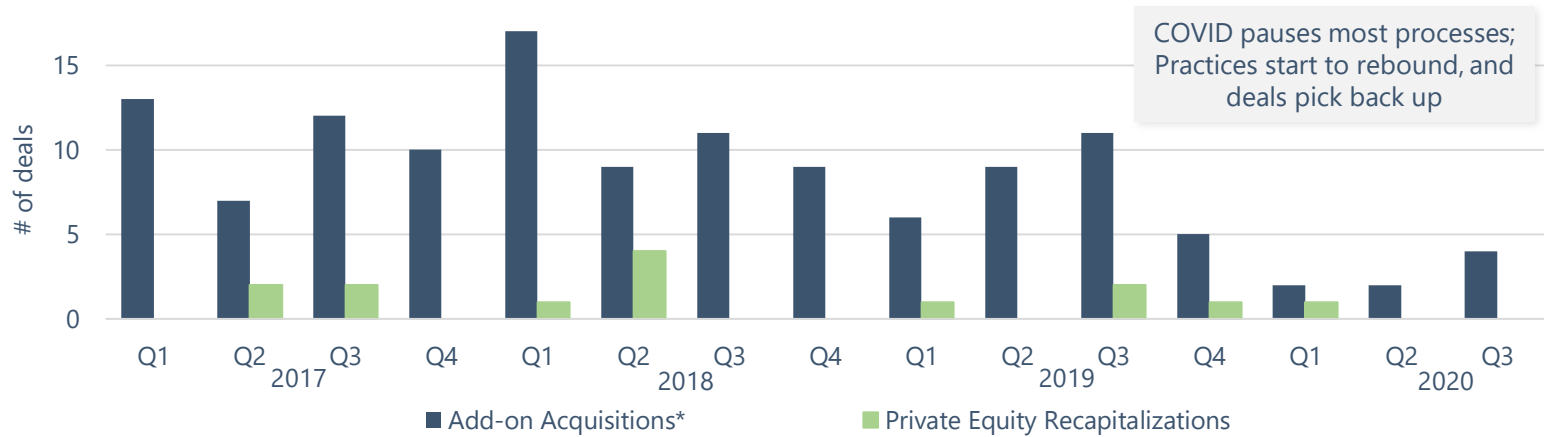
Upcoming White Paper

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Mental Health Services and the impending wave of consolidation – Q4 2020.

Q3-2020 Dermatology Update

Market Update



Transaction volume within dermatology continues to slowly rebound from the early effects of the pandemic, which stalled many deal processes from March to May. Activity has picked up in recent months, but volume still lags the high rate of activity that took place in preceding years. Provident expects deal flow to recover as independent practices and private equity-backed platforms rebound to pre-COVID levels. Platforms in select geographies that have rebounded better than others will continue to engage in M&A efforts and seek out acquisitions as a means of growth.

Valuations within dermatology and within the physician services space, more generally speaking, have yet to soften in a meaningful way. With over 30 platforms backed by private equity, there is still plenty of competition for acquisitions, which has sustained an imbalance between supply and demand for deals. Headline valuations have remained relatively unchanged, while deal structures have often incorporated deferred payments for sellers that have not rebounded to pre-COVID levels. These COVID structuring considerations have allowed transactions to continue occurring, but we expect this trend to dissipate over time as practices demonstrate a longer runway towards volume recovery.

Select Transactions:

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

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
Sep-20	Epiphany Dermatology	SkinCare Colorado	1	1	CO
Sep-20	DermCare Management	SkinSmart Dermatology	1	4	FL
Aug-20	Pinnacle Dermatology	Waldman's Dermatology	2	1	NC
Jul-20	Anne Arundel Dermatology	Washington Dermatology Center	2	4	MD

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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.

Q3-2020 Durable Medical Equipment (DME) Update

Market Update

The third quarter of 2020 marked a continuation of the strong consolidation activity in the DME sector through the first half of the year. Transaction activity for the quarter was again led by operators in the Complex Rehab Technology space. In an industry not typically characterized by technological innovation, businesses with strong digital capabilities have garnered attention from acquirers due to the shift to virtual services accelerated by COVID-19.

M&A activity across DME has shown its resilience through the COVID-19 pandemic as private equity investors and strategic acquirers alike value the stable nature of the sector. Provident expects transaction activity across DME to continue through the end of 2020 and into 2021.

Notable Consolidator



Following an extremely active Q2 in which it completed five acquisitions, National Seating & Mobility (NSM), one of the largest operators in the Complex Rehab Technology (CRT) space, continued its aggressive inorganic growth strategy through Q3 2020. Utilizing the capital resources provided by its private equity sponsor Cinven, the Company acquired Texas-based Travis Medical in a deal that includes 27 locations in 23 markets across the Pacific Northwest, Texas, Oklahoma and Florida. NSM also continued its push into Canada with the acquisition of British Columbia-based mobility equipment provider PG Surg Med. These acquisitions continue to grow the Company's scale in a market segment that is becoming increasingly concentrated among a handful of large operators.

Select Transactions:

Month	Acquirer	Target	Deal Description
September	Rehab Medical	Wheelchairs Plus	Rehab Medical, an Indianapolis-based provider of complex rehab equipment, acquired San Antonio-based Wheelchairs Plus. Wheelchairs Plus is a complex rehab company that offers custom rehabilitation equipment, home medical equipment and disposable medical supplies. The transaction comes on the heels of Rehab Medical's acquisition of Mobility Specialists earlier this year and allows Rehab Medical to further solidify itself as a major operator in the rapidly consolidating CRT space.
September	Protech Home Medical	Home Technology Resources	Protech Home Medical acquired Health Technology Resources (HTR), a Buffalo Grove, IL-based, home respiratory services company focused on serving the Greater Chicago area. HTR, with its focus on serving high-acuity respiratory patients, is expected to seamlessly integrate with Protech's existing infrastructure to allow the combined organizations to capture cost and revenue synergies.
September	Spiro Health	The Medical Store	Spiro Health has acquired The Medical Store, a Burlington, VT-based provider of a full range of home medical equipment and supplies. The transaction allows Spiro Health, formed earlier this year as a merger of America's HealthCare at Home, Cape Medical Supply, and Health Complex Medical, to stretch its strong existing footprint in the New England market further north.
August	Sunrise Medical	James Leckey Design	Sunrise Medical, a Fresno, CA-based manufacturer and distributor of mobility equipment, acquired James Leckey Design along with its subsidiaries, Firefly Friends and Vidal Global. These acquisitions provide an effective complement to Sunrise's existing pediatric product offerings, a sector of strategic focus for the Company moving forward. Sunrise plans to leverage synergies between the two companies in key markets to streamline operations and increase scale.

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Q3-2020 Emergency Medical Services Update

Market Update

Transaction activity in the emergency medical services sector was relatively light in the third quarter of 2020 and concentrated in the urgent care space. Desires to limit unnecessary patient exposure has caused interfacility ambulance transports to decrease during the pandemic, while emergency services have been mostly focused on COVID-related triage efforts. Urgent care has and will continue to undergo more consolidation, as the current dichotomy between large and small players is conducive to continued acquisitions.

Select Transactions:

Month	Acquirer	Target	States	Deal Significance
Urgent Care:				
September	CityMD	Urgent Care Now	1	CityMD, a New York City-based urgent care provider with more than 120 locations, has purchased Urgent Care Now, a New Jersey based urgent care provider with 3 facilities. The 28 Urgent Care Now providers will join CityMD, and the locations will be re-branded post-transaction.
September	Trinity Hunt Partners	MainStreet Family Urgent Care	2	MainStreet Urgent Care, a leading urgent care provider based in Birmingham, Alabama has partnered with Trinity Hunt Partners, a growth-oriented middle market private equity firm. MainStreet operates 16 clinics across Alabama, with multiple de novos launching in Georgia in the coming months.
August	Experity	Calibrater Health	N/A	Experity, a provider of clinical and practice management software to the urgent care space, has acquired Calibrater Health, a leader in feedback management solutions. The acquisition enables Experity to expand patient engagement offering with reputation management capabilities to meet the needs and demands of the urgent care industry.
July	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.

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Q3-2020 Healthcare IT Update

Market Update

The healthcare IT sector continued to be an area of significant interest from private equity and strategic consolidators in Q3 2020. COVID-19's continued presence has driven healthcare providers across specialties to re-evaluate and invest in their digital health capabilities, as virtual health services have become increasingly necessary. The continued relaxation of HIPAA regulations by the federal government to facilitate easier access to telehealth services bears monitoring going forward as providers ensure their platforms remain compliant as regulations are tightened.

As the impact of the COVID-19 pandemic continues to be felt across the healthcare landscape, Provident expects M&A activity in the healthcare IT sector to be driven by increased demand for improved 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	\$8.06	\$1.7B	\$70.0mm	1.30x	10.69x
Evolut Health	\$12.41	\$942.6mm	(\$23.3)mm	1.38x	N/A
Teladoc Health	\$219.24	\$716.3mm	(\$8.6)mm	24.93x	N/A
Inovalon Holdings	\$26.45	\$656.34mm	\$179.8mm	7.20x	26.06x

As of 9/30/2020

Select Transactions:

Month	Acquirer	Target	Target :		
			Business Segment	Headquarters	Deal Size
August	Teladoc Health	Livongo Health	Virtual Health Software	Mountain View, CA	\$18.5B
August	FINEOS	Limelight Health	Insurance Benefit Management	San Francisco, CA	\$75M
August	Health Catalyst	Vitalware	SaaS Technology Solutions	Yakima, WA	\$120M
August	Waystar	eSolutions	Revenue Cycle Management	Overland Park, KS	\$1.35B
July	Strata Decision Technology	EPSi	Financial Support Software	Chicago, IL	\$365M
July	HealthEdge Software	The Burgess Group	Payment Integrity Software	Alexandria, VA	N/A
July	TA Associates & Francisco Partners	Edifecs	Healthcare Enterprise Software	Bellevue, WA	N/A

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Q3-2020 Healthcare Staffing Update

Market Update

One notable healthcare transaction in Q3 was Triage, a portfolio company of McCarthy Capital, who merged with TaleMed. This transaction creates a dominant platform within travel nursing and allied health staffing. Triage started as a radiology staffing company, but transitioned to nursing, laboratory, rehab therapy, and hospital staffing.

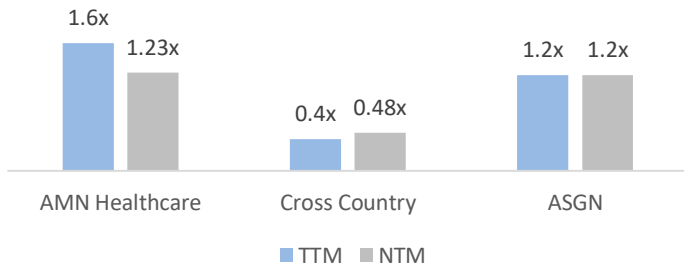
The pandemic has created demand for certain assignments, such as ICU, and as a result, nurses are altering their skill sets for these assignments or assignments in higher demand. On the contrary, there was less demand pertaining to OR and ER nurses. School closures, fewer elective procedures, and less critical procedures have also impacted staffing companies from an allied staffing standpoint. Respiratory therapy temporary staffing revenue has increased as a result of more hours and higher bill rates, whereas physical and occupational therapy revenue has declined according to Staffing Industry Analysts. As healthcare professionals alter their skill sets for roles in more demand, it may create shortages in other healthcare subspecialties as the pandemic subsides. As a result, staffing firms may be called upon more for future assignments as the pandemic recedes.

Notable Staffing Transactions in Q3 2020

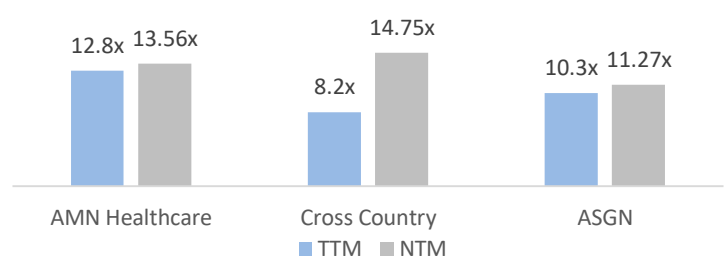


Industry Multiples

Enterprise Value to Revenue Multiples



Enterprise Value to EBITDA Multiples



Select Transactions

Source: CapIQ, as of October 13th, 2020

Month	Acquirer	Target	Service Lines	Presence
September	McCarthy Capital	TaleMed	Healthcare Staffing	Nationwide
July	Circa	America's Job Exchange	Staffing IT	Nationwide
July	Lexitas	Lumen Legal	Legal Staffing	Nationwide
September	Stone Point Capital	Bullhorn	Cloud-based Staffing	Nationwide

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Q3-2020 Home Health & Hospice Update

Market Update

The alarmingly high COVID infection and death rates in traditional institutionalized settings, such as SNFs and ALFs, have put a spotlight on home-based alternatives for our most vulnerable elderly populations. Coupled with the transition to value-based reimbursement and recent changes to Medicare Advantage, we've witnessed a surge of M&A activity amongst other strategic initiatives in a growing attempt to capture the entire continuum of care. This September, The Providence Service Corp acquired Simplura Health Group, which will be highly complementary to its non-emergency medical transportation services. This transaction is indicative of the continued diversification of pos-acute investors compared to historically. The result is greater flexibility and opportunities for home health and hospice companies in a deal process.

Additionally, this quarter replicated the trend of private equity investors continuing to enter the post-acute care space. This September, reports surfaced that Centerbridge and Vistria Partners are teaming up on a \$1.4 billion deal for Help at Home, with the goal of creating a nation leading platform of home care and home health services. This investment is indicative of the interest level towards home care and home health in the large-cap firms and trickling into the lower middle market. With a number of others establishing platforms, private equity investors clearly remain bullish, which is translating into heightened valuation levels for groups of all sizes.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
September	Bristol Hospice	Remita Health	7	3	Bristol Hospice, a portfolio company of Webster Equity Partners, has acquired Remita Health marking its third acquisition of the year.
September	The Providence Service Corporation	Simplura Health Group	50	6	The Providence Service Corp., the nation's largest manager of non-emergency medical transportation programs, has acquired Simplura Health Group to enter the home care market. The transaction was valued at \$575 million.
September	The Pennant Group, Inc.	CMS Home Health Care	4	1	The Pennant Group, Inc. has acquired CMS Home Health Care which expands its penetration within the Texas market.
September	Jet Health, Inc.	Carrington Hospice Care, Inc.	1	1	Jet Health, Inc. has acquired Carrington Hospice Care, Inc. as it continues to execute on its strategy of offering comprehensive hospice care in its four primary markets.
August	Traditions Health	Faith Hospice and Embrace Hospice	10	2	Traditions Health, a company of Dorilton Capital Advisors, has acquired Faith Hospice and Embrace Hospice, representing platform investments in both Georgia and Oklahoma.
July	Alleo Health System	ABC Hospice and Upper Cumberland Hospice	2	2	Alleo Health System has acquired ABC Hospice and Upper Cumberland Hospice as it seeks to strengthen its market positioning and geographic footprint.

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Industry Conferences

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.

www.providenthp.com

Q3-2020 Laboratory Services Update

Market Update

M&A activity within the laboratory services sector has remained robust despite the mounting pressures being placed on the industry by COVID-19.

Larger laboratory service providers are looking to roll in smaller labs with complementary service offerings. This allows the larger labs to expand capacity while furthering the breadth of their test panel. Valuations within the sector have remained high as investors are optimistic that lab services organizations will remain a crucial component of the pandemic response.

Laboratory Services Public Trading Multiples

Company	Ticker	EV	Revenue	EBITDA	EV/REV	EV/EBITDA
LabCorp	LH	\$23.0B	\$11.5B	\$1.7B	1.98x	11.76x
Quest Diagnostics	DGX	\$19.6B	\$7.5B	\$1.4B	2.56x	13.22x
Eurofins	ERFSF	\$15.6B	\$5.2B	\$1.0B	3.59x	20.01x

As of 9/30/2020

Select Transactions:

Month	Acquirer	Target	Deal Description
July	Infinity Laboratories	DYNALABS	Infinity Laboratories, a chemical and microbiological lab, announced that it has acquired DYNALABS, a privately held analytical testing laboratory that offers lab services, on site testing and quality assurance support based out of St. Louis. This marks Infinity's third acquisition in 2020.
July	MLM Medical Labs	CirQuest Labs	MLM Medical Labs, a Great Point Partners portfolio company, is a specialty central lab based in Germany. They have acquired Memphis, Tennessee based CirQuest Labs, a provider of specialized assay development, biomarker testing, and central lab services, as part of its global expansion strategy. With the acquisition of CirQuest, MLM has expanded to the United States.
July	Element Materials Technology	Analytical Lab Group	Thompson Street Capital Partners, a private equity firm based in St. Louis, announced today that it has completed the sale of Analytical Lab Group, an industry-leading microbiology and viral lab, to Element Materials Technology, one of the world's largest providers of materials and product qualification testing, inspection and certification services. The deal marks Elements movement into the medical laboratories space.
August	Quest Diagnostics	Mid-America Clinical Labs	Quest Diagnostics, the world's leading provider of diagnostic information services, had acquired Indiana-based Mid America Clinical Laboratories, the largest independent clinical lab in Indiana. The lab was formed two decades ago as a joint venture between Quest and the Ascension St. Vincent Hospital system. In the transaction Quest will be buying out its partner's interest in the venture.

Provident Industry Coverage Team

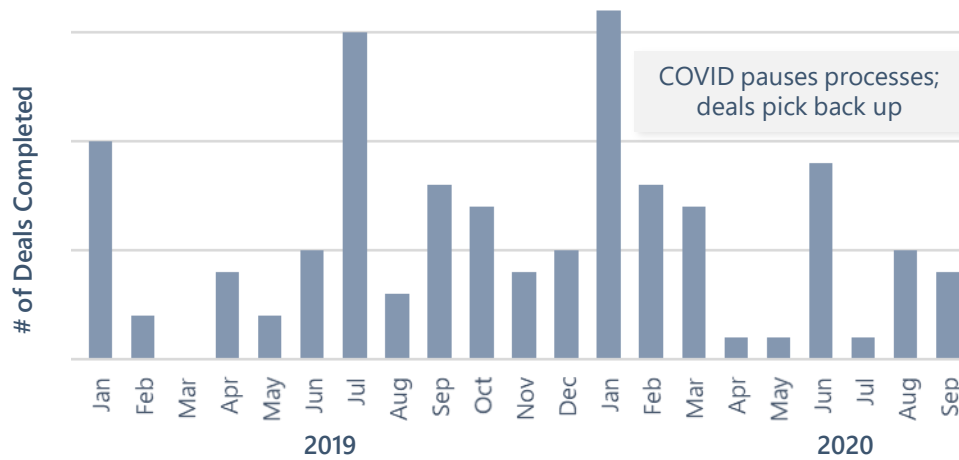
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Q3-2020 Ophthalmology Update

Market Update



PHP Completed Transaction



The rebound in transaction volume within the eye care sector has moved almost in lockstep with the way practices have rebounded from the early effects of the pandemic. Most deal processes were put on hold in the early months of the pandemic with only two deal closings in April and May. Since June, there have been over 20 deals that have closed in addition to a considerable backlog of transactions likely to close in Q4 of 2020 or Q1 of 2021. Provident expects this pent-up demand for deal making to continue to drive activity within the sector.

At the same time, valuations for high quality practices remain at elevated levels and have showed very little signs of softening. With over 30 platforms backed by private equity, there is still plenty of competition for deals which has kept multiples on the high end of historical valuations. Although Provident observed more deferred payment structures in the early months of the pandemic, that trend has seemed to subside in recent months as more proposals that have come in have had very little to no deferred consideration. Due to the sector’s proven resilience, Provident expects many firms to double down their efforts in eye care, compounding deal activity within the sector.

Select Transactions:

* Provident served as exclusive advisor to Retina Health Center in its transaction with US Eye

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
Sep	US Eye	Carolina Eyecare Physicians	9	17	SC
Sep	Omni Ophthalmic Consultants	Eye Care Northwest	1	2	NJ
Sep	EyeCare Partners	Corrective Eye Center	3	4	OH
Sep	EyeSouth Partners	Medical Center Ophthalmology Associates	7	14	TX
Aug	US Eye	Retina Health Center*	2	3	FL
Aug	AEG Vision	Eyes of the World	2	4	CO
Aug	EyeSouth Partners	Retina Associates of Middle GA	3	2	GA
Jul	ReFocus Eye	OptiCare	3	8	CT

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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 mid to late October.

Q3-2020 Pharmaceutical Services Update

Market Update

Merger and acquisition activity in the outsourced pharmaceutical services landscape has returned to pre-COVID levels, particularly in the development and manufacturing space. While clinical trials have ceased in the U.S. and abroad, demand for later stage development and manufacturing has increased substantially, particularly for pre-clinical development. Provident expects clinical trial activity to rebound in the coming quarters, as sponsors and outsourced service partners adjust to managing clinical trials in a higher risk environment.

Select Transactions:

Month	Acquirer	Target	Target Focus	Deal Description
September	Frazier Healthcare Partners & Thomas H. Lee Partners	Adare Pharma Solutions	CDMO	Thomas H. Lee Partners, L.P. ("THL") and Frazier Healthcare Partners ("Frazier") have acquired Adare Pharma Solutions, a leading specialty contract development and manufacturing organization (CDMO) and global provider of advanced pharmaceutical technologies, from TPG Capital.
September	Catalent	AB Biotechnologies (Facility Acquisition)	CDMO	Catalent has acquired a manufacturing facility from AB Biotechnologies for \$14 million. The facility adds clinical and small-scale commercial manufacturing for injectable drugs to Catalent's growing fill and finish network.
September	Viva Biotech	SYNthesis med chem	CDMO	Viva Biotech has agreed to acquire SYNthesis med chem Limited, for approximately \$80 million. SYNthesis is a preclinical small molecule drug discovery service contract organization which mainly provides pharmaceutical chemistry and synthetic chemistry services.
September	Sygnature Discovery	XenoGesis	CRO	Sygnature Discovery, a world-leading integrated discovery and pre-clinical solutions provider, has significantly expanded its DMPK capabilities and expertise with the acquisition of XenoGesis, the UK's largest independent laboratory-based CRO specialising in pre-clinical DMPK.

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Q3-2020 Pharmacy & Infusion Services Update

Market Update

The pharmacy services market observed healthy deal activity across infusion and LTC pharmacy. Large consolidators such as PharMerica (backed by Walgreens) and UnitedHealth Group completed acquisitions of medium-sized providers. Peak Rock Capital also invested in Paragon Healthcare, forming the newest platform to emerge in the infusion space. In the past 3 years, Provident has observed over five platform private equity investments in the infusion therapy space. The sector is well positioned to consolidate further in the coming years, much like we observed in the specialty pharmacy space over the past decade.

Select Transactions

Month	Acquirer	Target	Pharmacy Sub-Sector	Deal Significance
September	Anthem	CareCentrix	Pharmacy Services	Anthem is in the process of closing an acquisition of CareCentrix, a pharmacy benefit manager to the home health industry. CareCentrix is currently backed by Summit Partners, a healthcare-focused private equity investor.
September	Peak Rock Capital	Paragon Healthcare	Infusion Services	Peak Rock Capital has completed a recapitalization of Paragon Healthcare, an infusion therapy provider in the ambulatory and home health settings for chronic patients. The business serves multiple states in the Southeast, Midwest, and Mountain West regions.
September	UnitedHealth	DivvyDose	Pharmacy Services	UnitedHealth has acquired DivvyDose, a competitor to PillPack that targets chronic patients, for over \$300 million. The company, which packages and distributes medications for patients, offers a similar patient experience to Amazon, and is believed to be a strong potential competitor in the direct-to-consumer pharmacy space.
September	PharMerica	OnePoint Patient Care	LTC Pharmacy	OnePoint Patient Care has been acquired by Pharmerica, one of the largest LTC pharmacy providers in the country. The two largest players in the LTC pharmacy market, Pharmerica and Omnicare, together have 50%+ market share.

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Upcoming Conference



Asembia Specialty Pharmacy Summit
Annual Meeting (Tentative)
 May 2 – 5 Las Vegas, N.V.

Q3-2020 Physician Services Update

The third quarter of 2020 exhibited strong consolidation activity across several physician services sub-specialties. As anticipated, most of the closed transactions from Q3 occurred at the end of the quarter due to COVID-19 related delays. While the global pandemic has caused near-term uncertainty, both financial and strategic buyers have shown continued interest in paying premium multiples for top assets and, in some cases, including a deferred payment tied to the business' return to pre-pandemic volumes. Noteworthy transactions include FFL Partners forming a platform in Orthopedics and SENTA Partners, which is backed by Shore Capital Partners, closing two ENT transactions that grew its footprint in Georgia by 20 physicians and 18 locations. The Radiology sub-specialty also announced a marquee deal in which Radiology Partners has agreed to acquire MEDNAX; the combined entity will have over 2,400 radiologists across 50 states.

Select Transactions:

Anesthesia					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
September	NorthStar Anesthesia	Surgery Partners Anesthesia Services	N/A	25	GA, FL, KY, NC, TX
ENT					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
September	SENTA Partners	Piedmont ENT	5	1	GA
September	SENTA Partners	Atlanta Allergy & Asthma	15	17	GA
Gastroenterology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
July	GI Alliance	Illinois Gastroenterology Institute ⁽¹⁾	9	1	IL
Orthopedics					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
September	FFL Partners	U.S. Orthopedic Partners	18	3	MS
July	Beacon Orthopaedics & Sports Medicine	Reconstructive Orthopaedics & Sports Medicine	7	4	OH
Radiology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
September	Radiology Partners	MEDNAX	1,200	300+	50
Women's Health					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
September	Women's Health USA	Women's Health Associates of Southern Nevada	50	20	NV
August	In Vitro Sciences	InVia Fertility	3	4	IL

(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.

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Q3-2020 Private Equity Update

Market Update

Over the third quarter, the broader private equity market continued to slowly recover as the market started to experience a larger volume of transactions in comparison to Q2. Between January and July 2020, the number of closed funds in the PE market increased over the same period the year prior. Contrastingly, aggregate capital raised decreased by \$40bn over the same period as PE firms continue to focus on supporting portfolio business operations to combat supply chain and workforce challenges created by the global pandemic. Uncertainty within debt markets has also made obtaining financing difficult for some sponsors. To overcome troublesome debt markets, PE groups are looking toward alternative deal structures like joint ventures and distressed debt to mitigate risk.

Despite the series of challenges presented by COVID-19, investment activity within the healthcare services industry has been more resistant to the downturn than other sectors due to sticky, recurring revenue streams, and their essential business designation. Valuations within the sector have also been unyielding to the macroeconomic conditions as earnings have been buoyed by advanced Medicaid/Medicare payments, PPP loans, and tax deferrals. Provident has continued to navigate the COVID-19 environment with success in advising its clients, closing two transactions in Q3.

Select Transactions:

Month	Acquirer	Target	Healthcare Vertical	Deal Description
September	Trinity Hunt Partners	Main Street Family Urgent Care	Urgent Care	Main Street Family Urgent Care, a leading urgent care provider based in Birmingham with 16 clinics, has been acquired by Trinity Hunt Partners. The deal supports Main Street's goal to grow across the southeast.
August	FFL Partners	Mississippi Sports Medicine and Orthopedic Center (MSMOC)	Orthopedics	MSMOC, a leading provider of orthopedic services and operator of a new ASC, has been acquired by FFL Partners. The acquisition established the newest PE backed platform in the orthopedic market, U.S. Orthopedic Partners.
August	Actinium Partners	Central Home Health Services of Texas	Home Health Care	Central Home Health Services of Texas, a licensed in-home health care agency, has been acquired by Actinium Partners. The deal marks Actinium's first investment in home health.
July	Windrose Health Investors	Caregiver Inc.	Long-term Care	Caregiver, Inc, a leading provider of long-term care services, has partnered with Windrose Health Investors. The deal supports Caregiver's intent to expand and grow their business beyond the Fort Worth area.
July	Fruition Partners	Specialty Dentistry Practice	Dental Practice Management	A specialty dentistry practice based out of Florida has been acquired by Fruition Partners, a Denver based PE firm. The deal establishes a new dental platform, DPMG.

Provident Industry Coverage Team

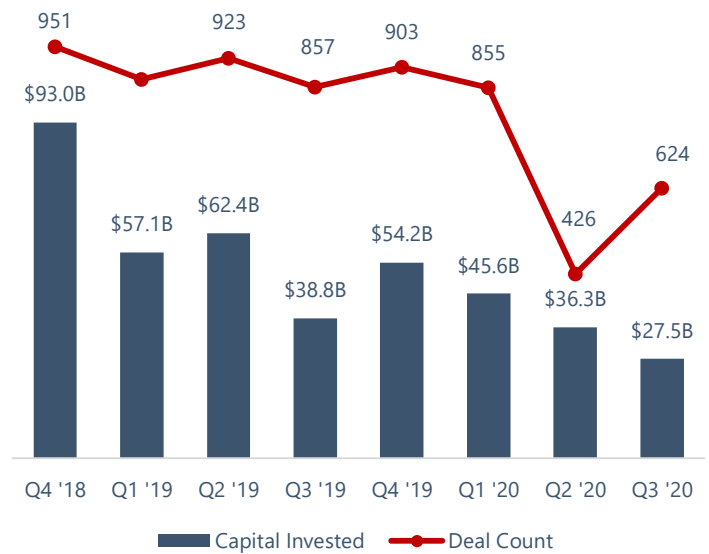
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Private Equity Investment & Deal Count



Sources:
 1. Preqin's "Preqin Quarterly Update: Private Equity & Venture Capital Q3 2020"
 2. PWC: Private Equity Deal Insights
 3. McGuireWoods: Healthcare Private Equity and COVID-19
 4. Chart Source: PitchBook Data, Inc

Q3-2020 Rehabilitation Update

Market Update

The third quarter of 2019 featured strategic consolidators fueling expansion through mergers and acquisitions in an attempt to grow patient census, add new locations, and enter new geographies. While strategic buyers have been primarily responsible for the bulk of 2020 deal flow, private equity investors continue to seek out platform caliber rehabilitation companies to enter the market or build upon existing competencies.

Due to increased competition for deals and a shrinking number of independent platform opportunities available, Provident has seen valuations remain at elevated levels in the rehabilitation space even during the pandemic and expects multiples to remain high through 2021. While the third quarter consisted of smaller tuck-in acquisitions, multiple sizable deals are in process and expected to close in the next six months.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
August	Bay State Physical Therapy	Comprehensive Physical Therapy	2	Massachusetts	Bay State Physical Therapy acquired Comprehensive Physical Therapy to expand its footprint in the central Massachusetts market
August	Integrated Rehab Consultants	Associated Physicians of Rehabilitation	1	Illinois	Integrated Rehab Consultants, backed by Webster Equity Partners, acquired Associated Physicians of Rehabilitation to continue growing its presence in the greater Chicago metropolitan area
July	Physical Rehabilitation Network	Berube Physical Therapy	3	Montana	Physical Rehabilitation Network (PRN) acquired Berube Physical Therapy, expanding PRN's footprint into Montana

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USPH vs. Other Healthcare Facility Operators

Company	Ticker	EV/Revenue (TTM)	EV/EBITDA (TTM)
US Physical Therapy	USPH	3.07x	20.43x
American Renal Associates	ARA	1.55x	12.25x
Acadia Healthcare	ACHC	2.07x	13.72x
HealthSouth	EHC	2.29x	12.05x
Surgery Partners	SGRY	2.72x	17.15x

As of 10/14/2020

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.

Q3-2020 Veterinary Services Update

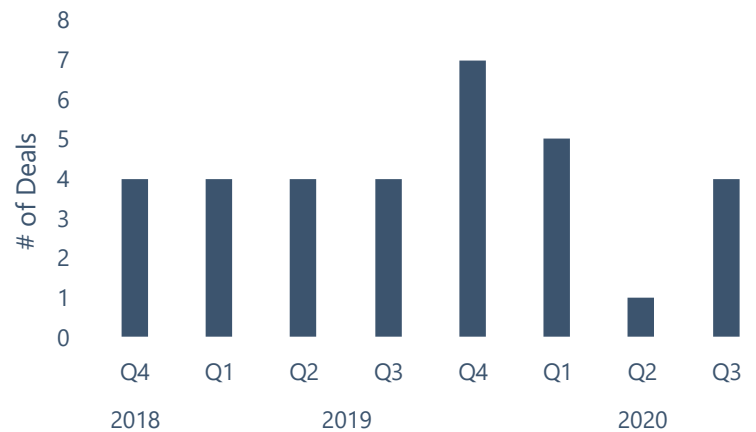
Market Update

Transaction activity in the veterinary services sector has seen a healthy recovery after deal volume stalled earlier in 2020 due to COVID-19 and mandatory stay-at-home orders across the country. The subdued impact of COVID-19 has confirmed the long-held beliefs that the veterinary services sector is one of the more resilient sectors to turbulent economic conditions. Increased pet ownership coupled with many Americans continuing to work from home has created a surge in wellness visits and surgical procedures for many veterinarians.

There were several significant transactions that took place during the third quarter, most notable was Berkshire Partners acquisition of VetStrategy with a deal value of over \$1.4 billion. Compassion-First expanded their footprint in the Northeastern U.S. with their acquisition of Long Island Veterinary Specialists, further solidifying their presence across 12 states with 43 specialty and emergency veterinary hospitals. PetVet Care Centers, backed by KKR, announced a definitive agreement to

acquire MAVANA, Inc. MAVANA, which was founded in 2016 through a merger of 21 mixed animal veterinary practices, has expanded to provide services across 34 facilities in 13 states. With MAVANA's existing shareholder base rolling over a significant portion of capital, PetVet's presence will expand to over 270 locally-branded animal hospitals. Trilantic Capital Management announced a minority investment in Rarebreed Veterinary Partners, a technology-enabled veterinary services platform based out of Portland, Maine. Despite general pandemic concerns in the public markets, Provident expects to see stable transaction activity in the veterinary service sector throughout the remainder of 2020.

Publicly Announced Transaction Activity



Select Transactions:

Month	Acquirer	Target	Target Subsector	Target Headquarters	Locations
September	Trilantic Capital Management L.P.	Rarebreed Veterinary Partners	Veterinary Animal Hospital & Clinic	Portland, Maine	17
August	Compassion-First Pet Hospitals	Long Island Veterinary Specialists	Veterinary Animal Hospital & Clinic	Long Island, New York	1
August	PetVet Care Centers	MAVANA, Inc.	Veterinary Animal Hospital & Clinic	Las Vegas, Nevada	34
July	Berkshire Partners	VetStrategy	Veterinary Animal Hospital & Clinic	Woodbridge, Ontario	160+

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Concluding Thoughts

Provident expects strong activity heading into Q4 of 2020 due to a significant backlog of M&A deal flow and substantial amount of undeployed capital that groups will look to deploy given the improving economic conditions. Private equity firms are beginning to shift attention from managing portfolio assets to evaluating new investments, and they will need to look for opportunities to deploy capital for the remainder of the year and into 2021. Private equity fundraising has been down overall, but PE investment in healthcare still remains elevated due to strong underlying fundamentals including demographic trends, stable revenue streams, and their designation as essential businesses.

The increasing economic activity and re-opening of states and counties has been a tailwind to investment and sentiment in the market. Businesses and services that were previously non-emergency or non-essential have reopened with social distancing measures. Also, many healthcare companies are seeing an increase in demand for services that were put off or delayed in the previous months due to the pandemic.

Provident will continue to monitor the market and provide updates on healthcare industry dynamics as the year progresses.



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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