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# Healthcare Services M&A Review: A Quarterly Update

*Provident Healthcare Partners provides an overview of merger and acquisition activity in the healthcare services industry for the final quarter of 2020*

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# Q4 Market Update & 2020 Year in Review: Strong Outlook for the Year Ahead

















In 2020, the healthcare industry was front and center through a challenging and turbulent year for the global economy. However, a rapid return to pre-COVID operating levels across many healthcare verticals serve as an indicator of industry-wide resilience. Sectors providing elective care, such as dental and dermatology providers, while initially impacted heavily, have trimmed expenses and adjusted to local regulations to take advantage of pent up 2020 demand and return to pre-COVID patient volumes. Less exposed sectors such as diagnostics, telehealth, and home health have showed signs of growth in response to heightened demand. Despite the volatility across the healthcare landscape, investor interest has largely recovered to pre-COVID levels, gaining momentum throughout the year to end 2020 with record levels of M&A activity. Strategic add-on acquisitions by private equity-backed, multi-site healthcare platforms have been particularly robust as independent physician practices increasingly seek partnership opportunities to accelerate their recovery, mitigate future risk, and position themselves for growth. Evident by a strong recovery in terms of deal volume and private equity capital committed to new and existing platforms, investors remain enthusiastic to put capital to work in the healthcare sector.

In the fourth quarter of 2020, Provident represented six healthcare services clients through strategic M&A and private equity recapitalizations, including the notable formation of a new oral and facial surgery platform, Beacon Oral Specialists (formerly Atlanta Oral & Facial Surgery). Across these transactions, Provident successfully negotiated transaction structures that considered COVID-normalized 2020 performance to ensure a minimal impact to transaction structure and valuation. Despite immediate slowdowns in deal volume following initial COVID closures, investors and lenders regained confidence over the summer of 2020, driving Q4 healthcare services M&A spend to \$25 billion, nearly two times higher than Q3 2020.

With high investor sentiment, Healthcare IT was targeted for investment to shift healthcare from high-cost hospital settings to lower-cost outpatient and in-home care settings. Funding from all sources has continued to increase for healthcare digitalization, as shown by a number of notable IPOs in the second half of 2020. Health benefits platform Accolade went public in July, raising over \$200 million in its debut. Since its IPO, Accolade announced the acquisition of 2nd.MD, a virtual medical second opinion consultation provider, creating a highly data-driven, integrated telehealth platform. Similarly, venture capital and private equity investors continue to support the development of healthcare digitalization platforms focused on improving patient engagement and adherence.

In the year to come, Provident expects accelerated consolidation activity following a strong end to 2020. The challenges ahead as operators and investors continue to navigate the effects of the pandemic will define the healthcare industry for years to come. We anticipate increased adoption of technology-enabled healthcare delivery, continued investment in infrastructure to support high-quality care at lower costs, and a renewed focus from payors on preventative health and wellness.

## Notable Market Healthcare Deals This Quarter <sup>(1)</sup>

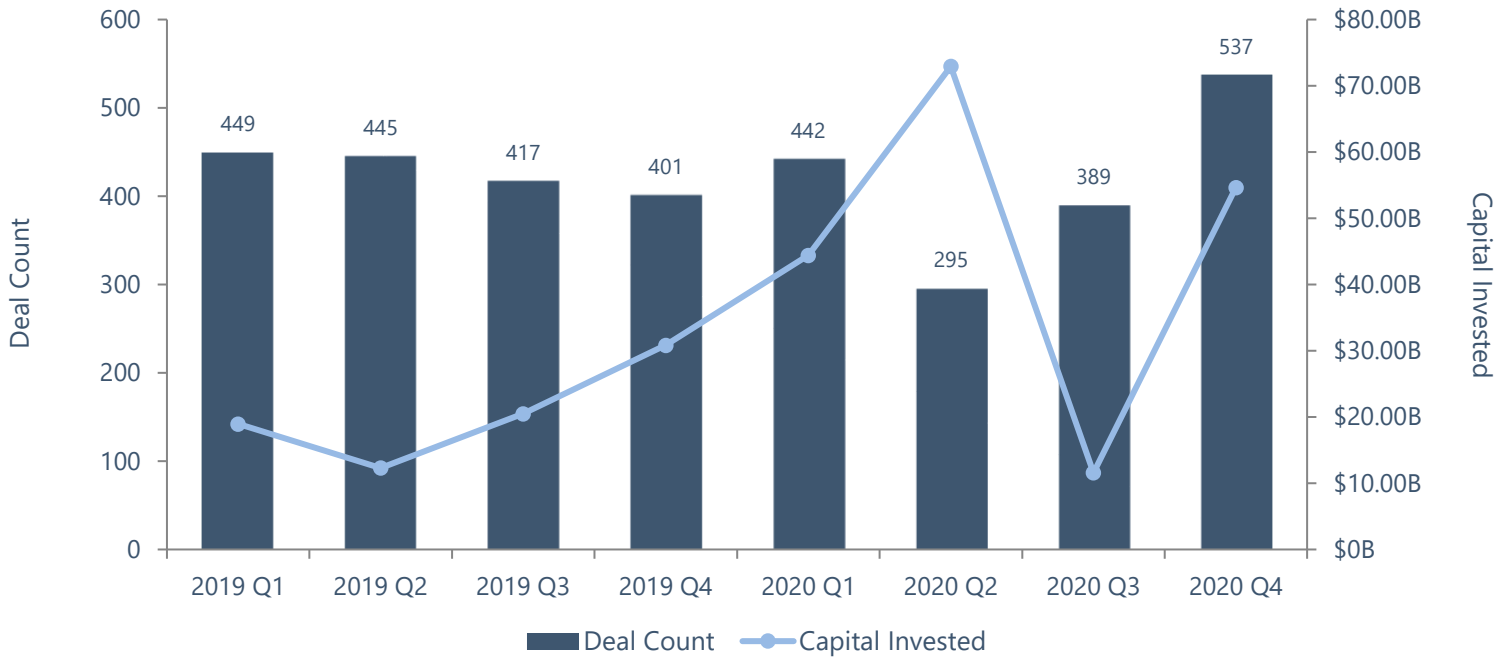
Dental	Multi-Specialty	Physical Therapy
 <p>A portfolio company of</p>  <p>Has been acquired by</p> 	 <p>Has been acquired by</p> 	 <p>A portfolio company of</p>  <p>Has been acquired by</p> 
Hospice	Pharmacy Benefit Management	Women's Health
 <p>Has merged with</p>  <p>A portfolio company of</p> 	 <p>Has been acquired by</p> 	 <p>Has been recapitalized by</p>  <p>and</p> 

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

# Healthcare M&A Deal Stratification

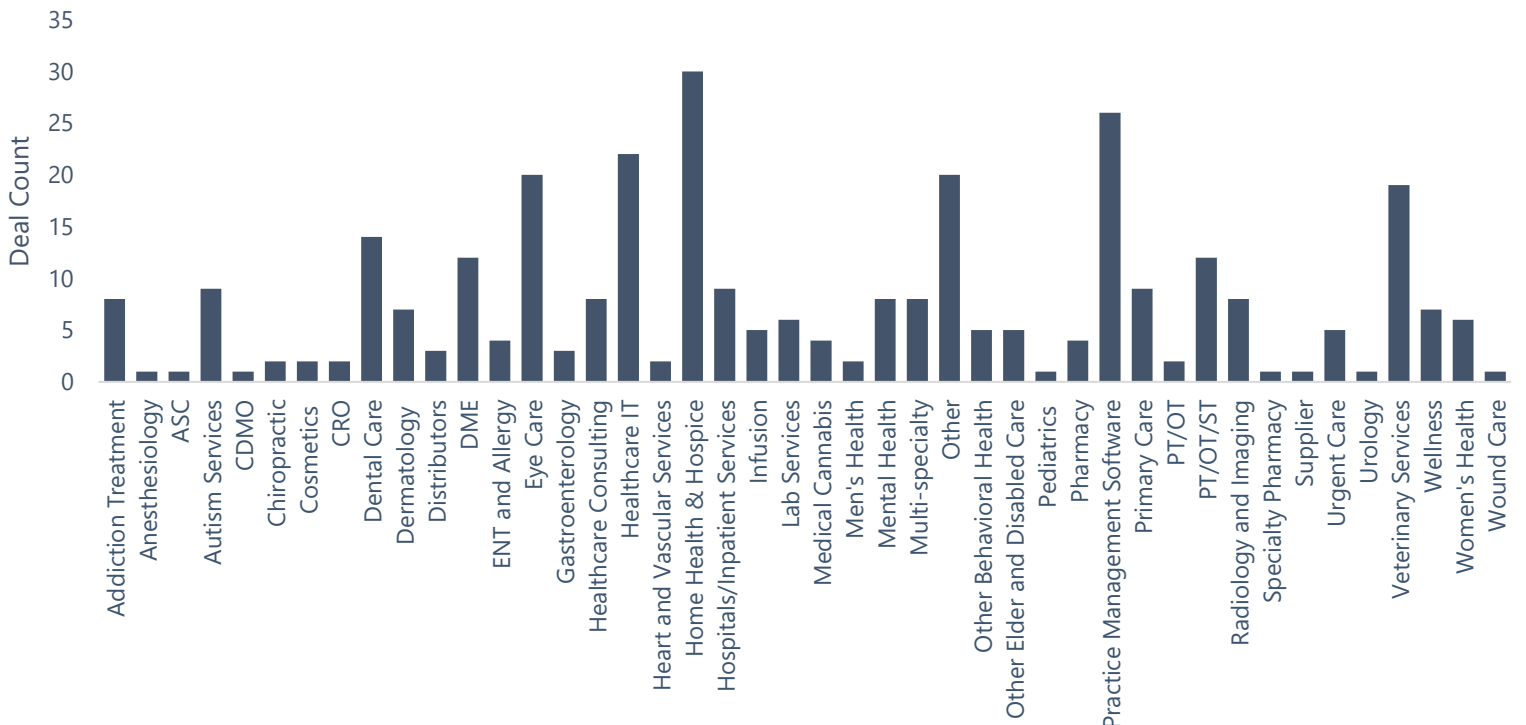
Healthcare M&A activity rebounded in the fourth quarter of 2020. With 530+ deals closed and over half within healthcare services, overall deal volume improved 13.6% quarter-over-quarter and 33.9% year-over-year. The strong momentum is also reflected by the increased amount of capital invested during the same period, showcasing a quick recovery to pre-COVID levels from a relatively slow Q3. Across all verticals, home health & hospice consolidation was particularly significant in the fourth quarter, with over 30 transactions completed in both new platform formation and bolt-on acquisitions.

## Healthcare M&A Quarterly Deal Activity (2019 – 2020)



Source: PitchBook Inc. Sectors included in the deal count include healthcare services, healthcare devices and supplies, healthcare technology systems, pharmaceuticals and biotechnology and other healthcare.















## Q4 2020 Healthcare Services Deal Count



# Provident Quarterly Update

In the final quarter of 2020, Provident closed six transactions in five different healthcare subsectors: hospice, women’s health, oral surgery, behavioral health, and ophthalmology. All six clients partnered with private equity firms or private equity-backed strategic acquirers.

## Provident Q4 Transactions

 <p>COMPANION HOSPICE AND END-OF-LIFE HEALTHCARE Enhancing the Quality of Life</p> <p>Has been acquired by</p>  <p>Bristol Hospice a portfolio company of</p>  <p>Webster Equity Partners</p>	<p><b>Transaction Date</b> December 2020</p> <p><b>Buyer</b> Bristol Hospice/ Webster Equity Partners</p> <p><b>Deal Note</b> Merger of two of the largest end-of-life care providers in Southern California</p>	<p><b>An undisclosed fertility practice</b></p> <p>Has partnered with</p> <p><b>A PE-backed strategic partner</b></p>	<p><b>Transaction Date</b> November 2020</p> <p><b>Buyer</b> Undisclosed</p> <p><b>Deal Note</b> Acquisition of a fertility practice by a nationally reputable network of fertility clinics</p>
 <p>ATLANTA ORAL &amp; FACIAL SURGERY</p> <p>Has partnered with</p>  <p>BLUE SEA CAPITAL</p> <p>to form</p>  <p>BEACON ORAL SPECIALISTS</p>	<p><b>Transaction Date</b> December 2020</p> <p><b>Buyer</b> Blue Sea Capital</p> <p><b>Deal Note</b> Platform formation of an oral surgery management services organization</p>	 <p>MID-ATLANTIC WOMEN'S CARE, PLC</p> <p>Has partnered with</p>  <p>Unified Physician MANAGEMENT</p> <p>a portfolio company of</p>  <p>ARES</p>	<p><b>Transaction Date</b> October 2020</p> <p><b>Buyer</b> Unified Physician Management/ Ares Management</p> <p><b>Deal Note</b> Acquisition of one of the largest independent OB/GYN practices in the country by a leading women’s health PPM platform</p>
 <p>BEACON Behavioral Hospital</p> <p>Has partnered with</p>  <p>LATTICEWORK CAPITAL MANAGEMENT</p>	<p><b>Transaction Date</b> December 2020</p> <p><b>Buyer</b> Latticework Capital Management</p> <p><b>Deal Note</b> Platform formation of an outpatient mental health organization</p>	 <p>Palmetto Retina Center</p> <p>Has been recapitalized by</p>  <p>RETINA CONSULTANTS OF AMERICA</p> <p>a portfolio company of</p>  <p>Webster Equity Partners</p>	<p><b>Transaction Date</b> October 2020</p> <p><b>Buyer</b> Retina Consultants of America/ Webster Equity</p> <p><b>Deal Note</b> Acquisition of a regionally reputable retina practice by a comprehensive physician management services organization focused on retina specialists</p>

## Whitepaper Releases

- [Potential Upcoming Changes to Drug Pricing Under Medicare Part B](#)
- [Investment & Consolidation in Mental Health Services](#)
- [An Update ON Consolidation and Investment within Eye Care](#)
- [Investment & Consolidation in the Clinical Diagnostics Industry](#)

## Podcast Episode and Panel Discussion

- [Provident’s Healthcare Dealcast “Transaction Considerations for Home Health & Hospice Agencies”](#)
- [Provident’s Panel “Consolidation in Urology: Examining Transaction Options”](#)

## Market Update

M&A activity within the behavioral health segment slowed marginally in Q4 in terms of total transaction volume. However; the market witnessed a number of marquee deals within the sector, most notably, Kelso & Co.'s acquisition of Lindsay Goldberg's platform, Refresh Mental Health. Refresh has over 30 mental health affiliates and the transaction marks one of the largest behavioral health transactions to date. Additionally, Latticework Capital, a Dallas-based private equity firm acquired Provident's client Beacon Behavioral Hospital which forms another behavioral platform in the southeast.

The Autism services market saw impressive deal flow with seven publicly announced deal closings in the quarter. Large industry consolidators such as, KKR-backed, Blue Sprig and Ridgemont-backed, Speech Pathology Group, both closed out the year with multiple acquisitions.

Provident expects M&A activity in 2021 to be particularly strong in the behavioral health market as existing platforms and private equity funds look to capitalize on the sector's impressive growth, while seller's look to transact to lock in current capital gains rates.

### Select Transactions:

#### Provident Transaction Spotlight:



- Latticework Capital Management, a leading healthcare investor, has acquired Beacon Behavioral Hospital, an operator of 11 mental health treatment facilities
- With the capital backing and strategic expertise of Latticework, Beacon will be able to execute on their rapid growth strategy with the acquisition of local behavioral health groups and the build-out of a new inpatient facility
- This transaction marks the most recent private-equity platform investment into the behavioral health market and establishes a regional platform to the southeast market

#### Autism Services & General Mental Health Services

Month	Acquirer	Target	Locations	State(s)
October	Blue Sprig Pediatrics	Momentum Therapy	4	GA, MI
October	The Stepping Stones Group	Ardor School Solutions	2	FL
October	The Speech Pathology Group	Go2Consult / Family Support Center	1 / 4	CA / CO
October	Pathways Health and Community Support, LLC	Three Community Intervention Services, Inc. subsidiaries	43	NC, SC, PA
November	Kelso & Co.	Refresh Mental Health	50+	Nationwide
December	Family Treatment Network	Catalyst Behavioral Solutions	1	UT
December	Caravel Autism Health	Behavioral Therapy Solutions of Minnesota	1	MN

#### Addiction & Medically Assisted Treatment (MAT)

Month	Acquirer	Target	Locations	State(s)
October	Behavioral Health Group	Wellness Ambulatory Care	1	TN
December	Baymark Health Services	Limestone Health	2	IN
December	Discovery Behavioral Health	Prosperity Wellness Center	3	WA
December	Baymark Health Services	Echo Treatment Center	1	PA

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### Recent White Paper

[Mental Health Services and the impending wave of consolidation](#)

# 2020 Dental Services Update

## Market Update

The dental services market was materially affected by the COVID-19 pandemic. At the pandemic's onset, most dental practices were forced to close for all services apart from emergency procedures. Since then, almost all practices have reopened, however current volumes vary greatly by region and by specialty. Of note are specialty dentistry groups, such as endodontic and oral surgery providers, who saw a more rapid rebound from the pandemic due to their focus on acute dental needs. As a result, specialists saw high levels of interest from PE groups in 2020, including Provident's client, Atlanta Oral and Facial Surgery, which transacted with Blue Sea Capital to form a new oral surgery platform called Beacon Oral Specialists.

For many others however, post-COVID operations strained profitability due to higher sanitation and PPE costs, as well as mandates to limit capacity, limiting overall deal activity. Investors and Dental Service Organizations (DSOs) became more active in the second half of 2020 however, as they repositioned their own operations and saw opportunities to continue partnering with dentists wishing to utilize the support and stability offered by a larger group. This has highlighted the value-add of DSOs as a resource to mitigate future risk, gain operational support, and expand clinical collaboration with a larger base of dentists. As groups continue to rebound, Provident expects transaction activity to meaningfully increase in 2021.

## Provident Deal Spotlight:



Has been recapitalized  
by



To form



- Blue Sea Capital, a leading healthcare investor, has acquired Atlanta Oral and Facial Surgery, the largest independent provider of pure-play oral surgery services in the country, with 25 surgeons across 23 locations
- Beacon was formed as a management services organization to support AOFS and its future affiliations with leading oral surgery providers in existing and new geographies

## Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
February	42 North Dental	Allen Dental Associates	1	5	1
June	PG Dental Holdings, LLC	Allied Dental	37	Undisclosed	3
July	Fruition Partners	Divergent Partners Management Group	3	Undisclosed	1
July	MB2 Dental	Smart Dental Care - Dutchtown	1	3	1
August	MB2 Dental	Dowagiac Family Dentistry	1	2	1
September	Gentle Dental	The Dental Team	6	Undisclosed	1
October	DuneGlass Capital	Allied OMS	2	4	2
October	New Mountain Capital	Benevis	160+	Undisclosed	17
November	Foresight Medical / Bindley Capital	Dental Works USA	3	Undisclosed	1
December	42 North Dental	Wellesley Dental Group	1	8	1

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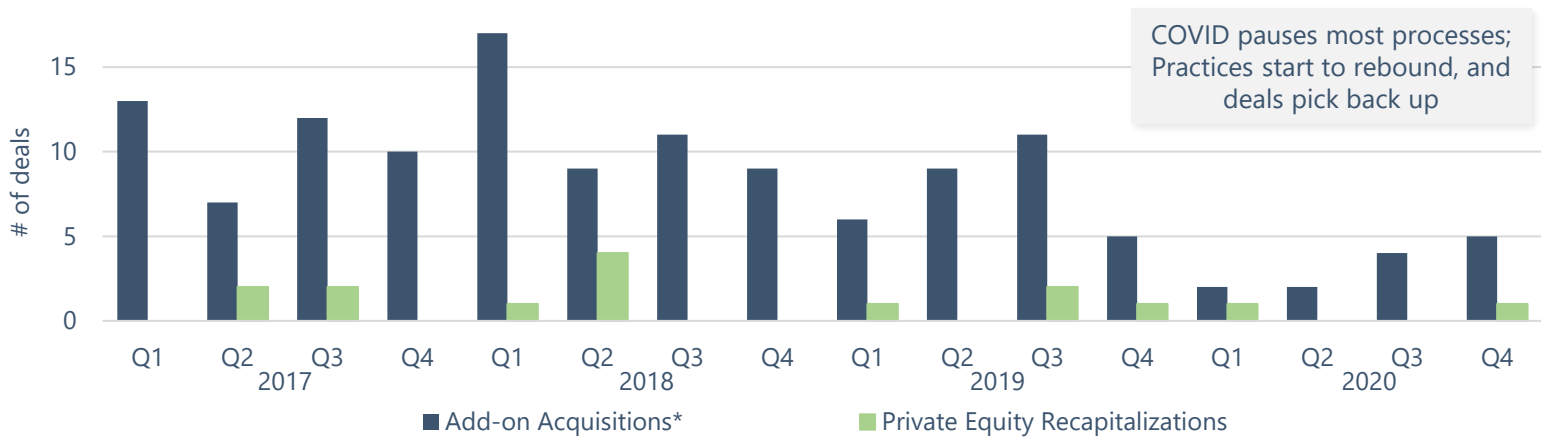
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# Q4-2020 Dermatology Update

## Market Update



Transaction volume in dermatology continues to gradually return to pre-pandemic levels as prospective buyers and sellers alike rebound from the effects of the pandemic. Transactions over the last three quarters have been marked by strategic add-on acquisitions with very few new entrants having invested in the sector in 2020. One notable private equity recapitalization though was Ridgemont Equity’s acquisition of Anne Arundel Dermatology from NMS Capital. Provident expects this trend, whereby consolidators become the consolidated, to continue as larger, multi-regional platforms start to acquire smaller ones, focused on regional density. ~15-20% of platforms have gone through secondary sales over the years, which will likely increase as we enter the 9<sup>th</sup> year since private equity investment in dermatology. Furthermore, with tax policy likely changing in 2022, Provident expects robust deal activity in 2021 as sellers aim to close by year end to secure current capital gains tax rates.

### Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
Dec	Epiphany Dermatology	Mesquite   DeSoto Dermatology	2	6	TX
Dec	Advanced Dermatology and Cosmetic Surgery	Nielsen Dermatology	1	1	FL
Dec	Epiphany Dermatology	Dermatology Associates, LLP	1	2	IA
Oct	Schweiger Dermatology Group	Harkaway Center for Dermatology and Aesthetics	2	5	NJ
Oct	Advanced Dermatology and Cosmetic Surgery	Dermatology Associates of Montgomery	1	2	AL
Oct	Ridgemont Equity Partners	Anne Arundel Dermatology	74	181	MD, TN, NC, PA

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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.

[www.providenthp.com](http://www.providenthp.com) 8



# Q4-2020 Durable Medical Equipment (DME) Update

## Market Update

The fourth quarter of 2020 marked the culmination of an extremely active year for M&A activity within DME. Private equity firms and strategic consolidators alike actively pursued add-on and new platform investments to capitalize on the strong tailwinds driving steady growth in the sector. Transaction activity in the quarter was highlighted by AdaptHealth's \$2.0bn acquisition of respiratory therapy provider, AeroCare.

Looking ahead to 2021, M&A activity across DME is poised to continue its momentum from 2020. Operators who have effectively positioned their businesses to capitalize on the increased digitization and remote-monitoring industry-wide stand to command significant interest from the investor community.

## Notable Consolidator



As mentioned, M&A activity within DME in Q4 was highlighted by AdaptHealth's announced acquisition of AeroCare at a total purchase price of approximately \$2.0 billion in December. The transaction will significantly enhance the scale and geographic reach of the combined organization. Additionally, AdaptHealth completed its acquisition of Pinnacle Medical, a provider of diabetes management supplies. Pinnacle, formerly backed by the FSB Companies, represents AdaptHealth's second significant acquisition of a diabetes management supplier, following its acquisition of Solara Medical Supplies earlier this year. These acquisitions represent a continuation of AdaptHealth's strategy to build scale across the enterprise coupled with a diverse product portfolio.

## Select Transactions:

Month	Acquirer	Target	Deal Description
December	Gemini Investors	AZ MediQuip	AZ MediQuip, an Arizona-based DME provider offering a full suite of DME products, received funding from private equity partner, Gemini Investors, to serve as a new platform investment in the DME sector. AZ MediQuip currently has 4 locations throughout the Greater Phoenix area and will utilize the capital resources and strategic expertise of its private equity partner to open new stores across the Southwest and pursue add-on acquisitions.
December	NuMotion	Wheeler's Medical Supply	NuMotion, a Tennessee based provider of complex rehab technology, (CRT) has acquired Wheeler's Medical Supply, a Jacksonville, FL based provider of urological and incontinence supplies. The transaction provides an opportunity for NuMotion to further diversify its product portfolio outside of CRT, enabling the Company to provide a broader set of services to its customers.
December	Hospice Source	Superior Healthcare	Hospice Source, a full-service DME provider to hospice organizations, has acquired Superior Healthcare, California-based DME provider also serving the hospice market. The transaction enables Hospice Source to deepen its presence in the critical California market, while providing Superior Healthcare with increased back-office and capital resources.
October	Protech	Sleepwell	Protech Home Medical completed its acquisition of Sleepwell, a sleep services provider with five locations concentrated in Georgia and Dayton, OH. The transaction increases Protech's footprint to 48 locations and 110,000 active patients across the United States, while generating run-rate revenue in excess of \$120 million.

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# Q4-2020 Emergency Medical Services Update

## Market Update

Urgent care consolidation continues to outpace that of ambulance services and emergency medicine services, supported by tailwinds in reimbursement, cost-containment, and ease of access for patients. During the initial onset of the COVID-19 pandemic, urgent care deal activity slowed down considerably due to lockdowns in various regions of the country. With the adoption of certain telemedicine services, and the re-opening of clinics, urgent care providers are benefitting from evolving patient behavior. With hospital emergency departments focusing largely on COVID-19 treatment, patients are deferring to urgent care centers for treatment at an increasing rate.

### Select Transactions:

Month	Acquirer	Target	States	Deal Significance
<b>Urgent Care</b>				
December	FastMed	Tenet (Urgent Care Division)	3	Tenet Healthcare has agreed to divest its urgent care division in a deal with FastMed for \$80m. By selling its 87 urgent care centers in North Carolina, Arizona, and Texas, Tenet will pivot to its core competencies in ASC management. The addition of 87 urgent care centers almost doubles FastMed's footprint in three key states across the country.
December	MedStar Health	Righttime Medical Care	1	Medstar has acquired Righttime Medical Care, a provider of urgent care services in Maryland with 19 locations. Righttime also operates HeadFirst, a series of clinics focused on sports injury and concussion care. The 19 Righttime locations will be re-branded under MedStar Health post-deal.
December	WellNow Urgent Care	Hometown Urgent Care & Occupational Health	2	Hometown Urgent Care & Occupational Health, one of the largest urgent care and occupational health providers in the Midwest, has been acquired by WellNow Urgent Care. In acquiring Hometown's 34 centers in Ohio and Michigan, WellNow will become one of the 10 largest urgent care providers in the U.S.
November	Urgent Care Group	Access Medical	1	Urgent Care Group, a Nashville-based urgent care provider, has expanded its North Carolina footprint with the acquisition of Access Medical in Myrtle Beach. Access Medical is the 22 <sup>nd</sup> center to join Urgent Care Group and will be re-branded under MEDcare Urgent Care in the first quarter of 2021.

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# Q4-2020 Healthcare IT Update

## Market Update

The fourth quarter of 2020 rounded out a strong year of consolidation activity in the healthcare IT space. Deal activity was highlighted by a continuation of the shift towards digital health as COVID-induced lockdowns were re-introduced in several regions across the US. Healthcare providers have invested significant capital to build and/or acquire robust digital health platforms, as patients grow increasingly comfortable with receiving care virtually, and the reimbursement environment for tele-health services has been encouraging.

Notable M&A activity for the quarter included Philips's \$2.8 billion acquisition of remote cardiac diagnostics and monitoring firm BioTelemetry, as the Company solidifies its position as a leading provider of in-home care management technology.

## HCIT Public Comparable Multiples

Select Public Healthcare IT Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV/REV	EV/EBITDA
Allscripts	\$14.44	\$1.7B	\$69.8mm	2.02x	16.12x
Evolve Health	\$16.03	\$987.0mm	(\$1.2)mm	1.46x	N/A
Teladoc Health	\$199.96	\$867.1mm	\$18.8mm	37.85x	N/A
Inovalon Holdings	\$18.17	\$651.3mm	\$178.5mm	6.29x	23.34x

As of 12/31/2020

## Select Transactions:

Month	Acquirer	Target	Target :		
			Business Segment	Headquarters	Deal Size
December	Philips	BioTelemetry	Remote Diagnostics & Monitoring	Malvern, PA	\$2.8B
December	PointClickCare	Collective Medical	Care Coordination Software	Cottonwood Heights, UT	\$500M - \$1.0B
December	HealthEdge	Altruista Health	Care Management	Washington D.C.	N/A
December	Exactech (NSDQ: EXAC)	Muvr Labs	Mobile Health	San Francisco, CA	N/A
December	Ro	Workpath	Virtual Health	Richmond, VA	N/A
December	Kyrus	Healthsparq	Patient Administration	Portland, OR	N/A
December	DataLink	Orizon360	Data Integration	Miami, FL	N/A
October	RLDatix	Verge Health	Credentialing Software	Charleston, SC	N/A

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# Q4-2020 Healthcare Staffing Update

## Market Update

Staffing experienced growth in Q4 with life sciences and per diem leading experiencing the most growth at 21% and 10% year over year in November, respectively. Staffing firms increased spending on sourcing and candidate engagement initiatives. Additionally, nurse staffing online platforms experienced growth from COVID-19, prompting staffing firms to incorporate these online platforms.

The pandemic has created competition for nurse talent. Per Staffing Industry Analysts, approximately 77,500 nurses are caring for patients, who have COVID, daily. This increased from approximately 23,000 nurses in September, respectively. Although bill rates continue to remain high and some providers are seeing increases of approximately 30% to 40% respectively, nurses continue to experience prolonged case loads according to Staffing Industry Analysts.

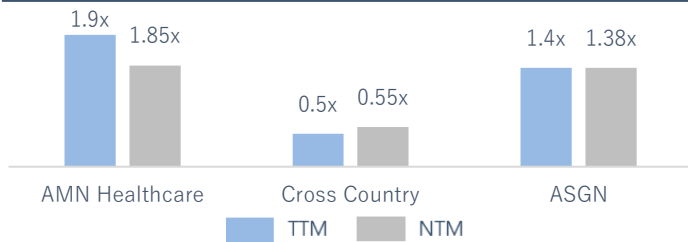
One notable Q4 transaction pertained to ShiftWizard, acquired by HealthStream. ShiftWizard provides a SaaS based solution supporting healthcare employees and Management with scheduling initiatives.

### Notable Staffing Transactions in Q4 2020

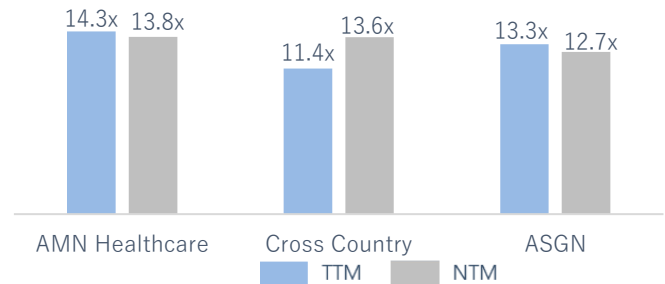
 was acquired by  October 2020	 was acquired by  October 2020	 was acquired by  November 2020	 was acquired by  November 2020	 was acquired by  November 2020
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### Enterprise Value to Revenue Multiples

#### Industry Multiples



### Enterprise Value to EBITDA Multiples



## Select Transactions

Source: CapIQ, as of January 19, 2021

Month	Acquirer	Target	Service Lines	Presence
October	HealthStream	ShiftWizard	Healthcare Staffing	Nationwide
October	Ardor School Solutions	America's Job Exchange	Healthcare Staffing	Nationwide
November	New State Capital Partners	Klein Hersh	Healthcare Staffing	Nationwide
November	HealthStream	Change Healthcare	Healthcare Staffing	Nationwide

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# Q4-2020 Home Health & Hospice Update

## Market Update

The fourth quarter of 2020 marked a continuation of strong consolidation activity within the home health and hospice sectors. The combination of several private equity backed platforms reaching inflection points within their investment cycles and the continued strong performance of the publicly traded groups have led to increased competition and frothy valuations.

As evidenced by the recent Help at Home and Care Hospice transactions, private equity firms clearly remain bullish on the sector and their ability to successfully exit their investments, which is translating to heightened activity and valuation levels for groups of all sizes.

The continuing influx of new consolidators within the sector offer a variety of attractive avenues for independent organizations to evaluate potential transaction options, whether that's to join an existing strategic or PE backed organization, or to become a PE platform of their own.

## Provident Transaction Spotlight

Companion Hospice ("Companion"), a leading hospice and palliative care provider in the Western United States, has had its California operations acquired by Bristol Hospice, a portfolio company of Webster Equity Partners.



Companion delivers hospice and palliative care services to over 600 active patients daily in Southern California and is among one of the largest independent providers in the market. This transaction enabled Companion to partner with an organization that shares the same values and quality care standards, while also providing an exit opportunity to the former shareholders of the business.

Provident Healthcare Partners served as the exclusive financial advisor to Companion. Robinson & Cole acted as legal counsel to Companion.

## Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
December	Bristol Hospice	Companion Hospice	6	1	Bristol Hospice, a portfolio company of Webster Equity Partners, has acquired the California operations of Companion Hospice.
December	Addus HomeCare	Queen City Hospice	3	1	Addus HomeCare has acquired Queen City Hospice for a total cash consideration of \$192.0 million. Queen City Hospice has an average daily census of over 900 patients.
December	AccentCare	Seasons Hospice & Palliative Care	225	26	AccentCare and Seasons Hospice & Palliative Care have completed their planned merger. The combined company will provide a full continuum of home-based healthcare services, including hospice, palliative care, home health care and personal care to over 175,000 patients annually.
October	Centerbridge Partners and The Vistria Group	Help at Home	150+	13	Help at Home, a leading U.S. provider of home care and community-based services in 13 states, has been acquired by private equity firms Centerbridge Partners and The Vistria Group.
October	Thomas H. Lee	Care Hospice	60+	12	Private equity firm, Thomas H. Lee (THL) has acquired Care Hospice. This deal marks a return to the hospice industry for THL, which in 2018 sold Curo Health services for roughly \$1.4 billion.

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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.

# Q4-2020 Laboratory & Diagnostic Services Update

## Market Update

With expeditious laboratory services playing a prominent role in the COVID response, M&A activity within the laboratory services sector has remained strong.

Smaller laboratories that offer unique diagnostic and testing platforms are being bought by larger providers seeking to improve and expand upon existing services. The combined entities are leveraging the acceleration of the diagnostics process to strengthen their position and market share in the growing medical testing market.

## Select Transactions:

Month	Acquirer	Target	Deal Description
October	Invitae	ArcherDx	Invitae, a prominent genetic testing platform has acquired ArcherDx, a leading genomics analysis company. The integration of Archer into Invitae's existing platform creates a comprehensive offering that provides testing services for disease risk, therapy optimization and personalized cancer monitoring to enable precision approaches to cancer treatment.
November	ProPhase Labs, Inc.	Confucius Plaza Medical Laboratory Corp.	ProPhase Labs, Inc., a diversified medical science and technology company, has acquired New Jersey-based Confucius Labs. ProPhase Labs seeks to significantly increase Confucius Labs' 4,000 square foot facility's capabilities and capacity with installations of state-of-the-art equipment.
December	Clinical Reference Laboratory, Inc.	Confirm BioSciences	Clinical Reference Laboratory, Inc. (CRL), one of the largest privately held clinical testing laboratories in the U.S., has acquired leading provider of comprehensive screening tools and solutions, Confirm BioSciences. CRL will leverage Confirm's massive customer base in drug testing, large consumer-based retail contracts, and current pipeline of COVID-19 testing products.
December	Innova Medical Group Inc.	Biological Laboratory Inc.	Pasadena-based maker of rapid antigen test kits, Innova Medical Group Inc., has acquired Pomona-based Biological Laboratory Inc. (BIOLAB). BIOLAB is a clinical laboratory that focuses on endocrinology, cytology, toxicology, and molecular studies. During COVID, the lab has deployed coronavirus molecular and antibody testing services.
December	Philips	Biotelemetry	Philips has announced their acquisition U.S. cardiac diagnostics and monitoring firm Biotelemetry in a \$2.8 billion deal that will strengthen its offering of remote care products. It will become part of Philips' connected care business. Biotelemetry is expected to deliver double-digit growth.
December	Alphabet/ Silver Lake/ Temasek	Verily Life Sciences	Alphabet Inc's life sciences division, Verily Life Sciences LLC, has announced the closure of \$700 million in a funding round from its investors including Alphabet, Silver Lake and Temasek. The funding received is to expand its commercial businesses, Baseline and Verily Health Platforms.
December	Series D Investors	Everlywell	Everlywell, a leading digital health company, today announced an oversubscribed Series D financing of \$175 million. This investment brings the total capital raised by the company to over \$250 million to date, which includes a Series C round led by Highland Capital Partners earlier this year.

## Laboratory Services Public Trading Multiples

Company	Ticker	EV	Revenue	EBITDA	EV/REV	EV/EBITDA
LabCorp	LH	\$26.8B	\$12.4B	\$2.55B	2.16x	12.83x
Quest Diagnostics	DGX	\$20.1B	\$8.36B	\$1.9B	2.56x	10.22x
Eurofins*	ERFSF	\$19.4B	\$6.49B	\$957M	4.11x	20.56x

As of 1/11/2021 \* Estimates

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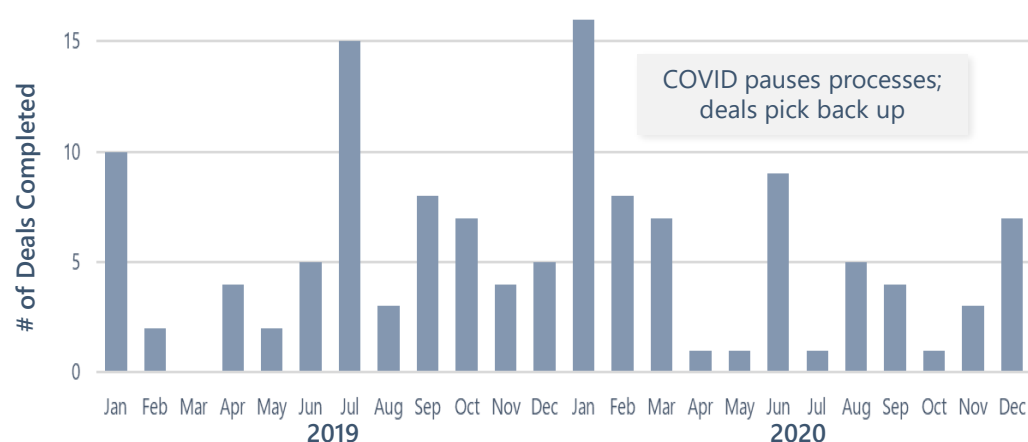
## Dx Services Whitepaper

[Provident Perspectives: Investment & Consolidation in the Clinical Diagnostics Industry](#)



# Q4-2020 Ophthalmology Update

## Market Update



## PHP Completed Transaction



Pent up demand for transactions from the pandemic continued to drive deal activity in the final quarter of 2020. Transactions in the quarter were characterized by strategic add-on acquisitions by established platforms as well as a new entrant in the market, employing a differentiated model than the traditional multispecialty platform archetype. iCare Health Solutions, a managed care service provider backed by Pine Tree Equity, made an investment in Miami-based Aran Eye Associates, creating a platform combining managed service providers with clinical locations. Additionally, Retina Consultants of America added two more practices to its umbrella of affiliate practices as well, including Provident’s former client Palmetto Retina Center. Finally, Provident’s expectation that some consolidators will soon merge together has started to come to fruition as Sterling-backed Blue Sky Vision sold to EyeCare Partners. As multiple platforms enter their 4<sup>th</sup> year in their investment cycle, Provident expects this trend to continue in 2021 and beyond. Overall, Provident expects consolidation activity to be robust in 2021 as impending tax changes add further incentive to close by year end.

## Select Transactions:

\* Provident served as exclusive advisor to Palmetto Retina Center in its transaction with Retina Consultants of America

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
Undisclosed	EyeCare Partners	Blue Sky Vision	34	83	MI
Dec	Ontario Teachers’ Pension Plan	NVISION Eye Centers	38	44	AZ, CA, NV, OR, WA
Dec	US Eye	Bayside Eye Center, Fort Meyers Eye Center, and Valentine Eye Care	3	5	FL
Dec	EyeSouth Partners	Eye Center of Texas	6	14	TX
Dec	Ocular Partners	Lakeshore Eye Physicians and University Ophthalmology in Hyde Park	2	N/A	IL
Dec	Midwest Vision Partners	Medina Vision Centre	1	3	OH
Nov	Vision Innovation Partners	Omni Eye Specialists	7	6	MD
Nov	Retina Consultants of America	Palmetto Retina Center, LLC* Retina Associates of Sarasota	10	8	FL, SC
Oct	iCare Health Solutions	Aran Eye Associates, P.A. and 20/20 Eye Care Network, Inc.	11	32	FL

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## Upcoming White Paper

Members of the Provident Healthcare Partners vision care coverage team have recently published an updated ophthalmology white paper which can be accessed on our website.  
www.providenthp.com 15



# Q4-2020 Pharmaceutical Services Update

## Market Update

Consolidation among CROs, CDMOs, and clinical trial service providers accelerated considerably in the final quarter of 2020. As expected, with clinical trial volume rebounding after the initial onset of COVID-19, many deals that were previously halted could close with trial and study enrollment returning to normal levels. Syneos Health was particularly active, closing two meaningful transactions with both Illingworth Research Group and Synteract. The two deals highly two overarching themes for the CRO space; the evolution of decentralized trials, and long-term revenue potential from serving emerging small and mid-sized biotech sponsors.

## Select Transactions:

Month	Acquirer	Target	Target Focus	Deal Description
December	Kohlberg & Mubadala	PCI Pharma Services	Clinical Trial Services	Kohlberg and Mubadala have acquired a majority stake in PCI Pharma Services, previously owned by the Partners Group. PCI is a provider of supply chain services for clinical trials and pharmaceutical development.
December	Genesis Drug Discovery & Development	STATKING Clinical Services	CRO	Genesis is expanding its CRO division through the acquisition of STATKING, an Ohio-based provider of clinical trial management, biostatistics, and study monitoring to CROs and sponsors.
December	Syneos Health	Illingworth Research Group	Clinical Trial Services	Illingworth Research Group, a provider of patient-facing clinical trial services in the home setting, has been acquired by Syneos Health. Partnering at the home health level will allow Syneos to decentralize certain trials.
December	Merck KGaA	AmpTec	CDMO	To support its growing mRNA-business outside of vaccine development, Merck KGaA has acquired AmpTec. The combination of the two German companies will enhance Merck's speed to market in developing new COVID diagnostics.
December	SK Capital	Catalent (BFS Division)	CDMO	Catalent has divested its Blow-Fill-Seal (BFS) division to SK Capital. The deal will help Catalent fund technology and infrastructure investments in rapidly-growing cell and gene therapy services.
October	Syneos Health	Synteract	CRO	North Carolina-based Syneos Health has acquired Synteract in an effort to partner with more emerging small and mid-sized biopharmaceutical sponsors. Interest has been buoyed by sustained investment in emerging biotech.

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# Q4-2020 Pharmacy & Infusion Services Update

## Market Update

The pharmacy services market observed healthy deal activity across both infusion and specialty pharmacy. PANTHERx, the largest specialty pharmacy serving patients with rare and orphan diseases was acquired by Centene, continuing the trend of larger independent specialty pharmacies exiting to strategic consolidators in the private markets. Private equity continues to enter the infusion therapy space, as Linden Capital Partners partnered with the management team of Vital Care, a franchisor of home infusion therapy. Linden Capital also participated in the financing IVX Health’s acquisition of Precision Healthcare, among other notable strategic investors such as McKesson.

## Select Transactions

Month	Acquirer	Target	Pharmacy Sub-Sector	Deal Significance
December	Centene	PANTHERx	Specialty Pharmacy	Centene has signed a Definitive Agreement to acquire PANTHERx, the largest independent specialty pharmacy focusing on rare and orphan diseases in the U.S. PANTHERx developed a pipeline of Limited Distribution Drugs by investing in a robust compliance, logistics, and analytics system to support high-risk, underserved patient populations.
December	CarePathRx	Chartwell	Pharmacy Services	CarePathRx will acquire the management services organization of Chartwell, formerly owned by UPMC. CarePath is a leader in medication management for polychronic patients and received strategic investment from UPMC as part of the transaction.
October	Linden Capital Partners	Vital Care	Infusion Therapy	Linden Capital Partners, a Chicago-based private equity firm, has partnered with Vital Care, a home infusion franchisor with 50 franchises across 20 states. Mississippi-based Vital Care serves both chronic and acute patients across its 50 franchises. Management will continue to participate in ownership of the company post-deal.
October	IVX Health	Precision Healthcare	Infusion Therapy	Precision Healthcare, formerly a subsidiary of BAI Healthcare Services, has been acquired by IVX Health. Precision Healthcare operates 12 ambulatory infusion centers in Tennessee and Arkansas. Linden Capital, McKesson Ventures, Health Velocity Capital, and Nueterra Capital all participated in financing of the deal.

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## Upcoming Conference



*Asembia Specialty Pharmacy Summit*  
*Annual Meeting (Tentative)*  
 October 26 – 29 Las Vegas, N.V.

# Q4-2020 Physician Services Update

## Market Update

The fourth quarter of 2020 exhibited strong consolidation activity across several physician services sub-specialties. Strategic acquirers were especially acquisitive this quarter, with add-ons driving deal volume to end the year. Provident expects both a continuation of strong add-on activity as well as an increase in platform transactions in 2021.

## Select Transactions:

## Notable Transaction



Provident served as lead advisor to Mid-Atlantic Women's Care in its partnership with Unified Physician Management. The Company will add to Unified's already sizable footprint and continue to provide top quality care to its patients across Virginia and North Carolina.

ENT					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
October	SENTA Partners	Valdosta ENT	3	1	GA
Gastroenterology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December	GI Alliance	Gastrointestinal Associates	25	3	MS
November	U.S. Digestive Health	West Chester GI Associates	8	4	PA
Orthopedics					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
October	Front Range Orthopedics & Spine	Orthopaedic & Spine Center of the Rockies	39	7	CO
Radiology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December	U.S. Radiology Specialists	ImageSouth	58	7	AL
Urology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
November	U.S. Urology	Associated Medical Professionals	31	10	NY
Women's Health					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December	Unified Women's Healthcare	Mid Atlantic Women's Care <sup>(1)</sup>	70+	36	VA, NC
December	Atlas Partners	Unified Women's Healthcare	1800+	550+	12 states
November	BC Partners	Women's Care Enterprises	250+	151+	FL, KY

(1) Provident served as exclusive financial advisor

## Provident Industry Coverage Team

## Upcoming Whitepaper:

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Provident has recently issued a white paper on the Most Favored Nation Drug Pricing rule's impact on the healthcare services industry.

# Q4-2020 Private Equity Update

## Market Update

Over the last three months of 2020, the private equity market remained extremely active, continuing the mid-year rebound seen in Q3. Deal flow through mid-November was up 5% from FY 2019. Q4 also experienced record levels of capital invested, levels which have not been reported since Q2 of 2019. Furthermore, the quarter sustained larger deal volume that is likely due to PE groups seeking to make additional add-on or platform investments given their substantial reserves of dry-powder.

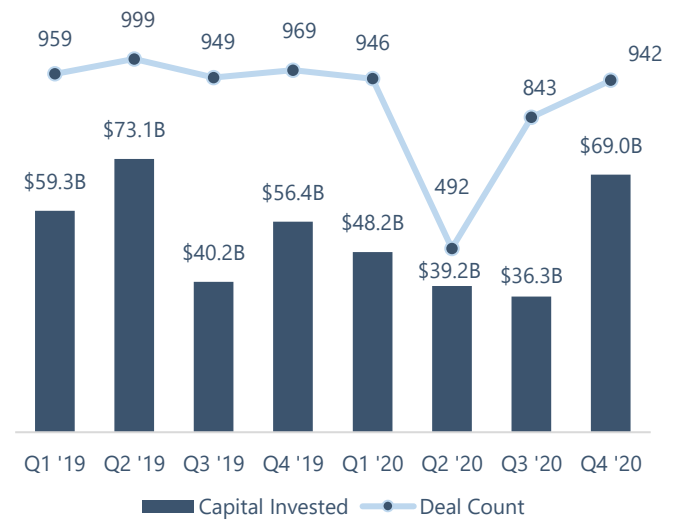
Despite the ongoing business challenges and earnings slowdown presented by COVID-19, valuations within the market remained at pre-COVID levels. Q4 transactions have shown that buyers are willing to recognize COVID normalizations to remain competitive in processes, which is likely to further support current valuation levels.

As Provident predicts the year to come, Q4's positive performance may be an indicator of a strong recovery. As debt markets continue to thaw and the prospect of returning to normalcy becomes tangible due to the new vaccine candidates, Provident expects private equity firms to continue deploying higher levels capital in the coming year.

## Selected Q4-2020 Transactions:

Month	Acquirer	Target	Healthcare Vertical	Deal Description
December	Arlington Capital	Everest Clinical Research	Clinical Research Sites	Everest, a CRO offering clinical research services across phase I to phase IV trials for pharmaceutical, biotech, and medical device companies, has been acquired by Arlington Capital. The deal establishes the newest global CRO platform.
December	Latticework Capital Management	Beacon Behavioral Hospital	Mental Health Services	Beacon Behavioral Hospital, the largest independent provider of mental health services in the Louisiana, has been acquired by Latticework Capital. The deal establishes the newest behavioral health platform in the Southeast. Provident served as advisor to Beacon Behavioral.
December	Blue Sea Capital	Atlanta Oral and Facial Surgery	Oral Surgery	Atlanta Oral and Facial Surgery, one of the nation's largest independent oral surgery practices, has partnered with Blue Sea Capital. The acquisition establishes Beacon Oral Specialists, the nations newest oral surgery platform. Provident served as advisor to AOFS.
November	Varsity Healthcare Partners	Partners First Cardiology	Cardiology	Partners First Cardiology, a cardiology management platform based out of Texas, has been acquired by Varsity Healthcare Partners. The deal marks the first private equity platform investment into cardiology.
November	Arsenal Capital Partners	Best Value Healthcare	Primary Care	Best Value Healthcare, a large primary care provider focused on Medicare Advantage patients, has been acquired by Arsenal Capital Partners. The deal reflects Arsenal's commitment to investing in value-based care.

## Private Equity Investment & Deal Count



Sources:  
 1. PWC: Private Equity Deal Insights  
 2. Chart Source: PitchBook Data, Inc

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## Market Update

Private equity-backed companies continue to dominate the acquisition landscape with a series of add-on acquisitions as well as new recapitalizations. Gryphon Investors made its second platform investment in the outpatient physical therapy space with the acquisition of Physical Rehabilitation Network. Evident by this transaction, private equity firms still see plenty of opportunity to enter the space as large mergers, or sales to strategic buyers, have been a minority of the exits over the years. As a result, we continue to see a high level of competition for both platform investments as well as add-on opportunities resulting in valuations remaining at elevated levels.

Looking ahead, Provident expects continued add-on transaction activity with the potential for additional private equity exits as several platforms approach the tail end of their investment cycle.

## USPH vs. Other Healthcare Facility Operators

Company	Ticker	EV/Revenue (TTM)	EV/EBITDA (TTM)
<b>US Physical Therapy</b>	<b>USPH</b>	<b>3.07x</b>	<b>19.91x</b>
American Renal Associates	ARA	1.35x	10.23x
Acadia Healthcare	ACHC	1.98x	11.10x
HealthSouth	EHC	2.24x	11.57x

As of 1/12/2020

## Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
December	Gryphon Investors	Physical Rehabilitation Network	138	CA, CO, ID, MN, MT, NV, NM, ND, OR, SD, TX, and WA	Gryphon Investors, a middle-market private equity firm based in San Francisco, CA, acquired Physical Rehabilitation Network from Silver Oak Service Partners at a valuation of nearly \$280 million.
December	JAG-ONE Physical Therapy	Integrity Physical Therapy and Wellness	4	New Jersey	JAG-ONE Physical Therapy, backed by Pamlico Capital, acquired Integrity Physical Therapy and Wellness to continue growing its presence in the southern New Jersey area.
December	Physical Rehabilitation Network	Health-Pro Physical Therapy	2	California	Physical Rehabilitation Network acquired Northern California-based Health-Pro Physical Therapy bringing its Northern California clinic count to 11 and national clinic count to 138 clinics.

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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

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Given the upward trend of deal volume and invested capital in the last quarter of 2020, Provident expects healthcare consolidation activity to remain robust into the new year. The transitory pause caused by the pandemic will likely stimulate another spike in M&A activity given the resumed confidence to deploy capital into near and long-term investments at elevated valuation levels.

In addition to a high volume of new platform formation and bolt-on investments across many healthcare verticals, the fourth quarter also highlighted multiple significant exits through the acquisition or recapitalization of sponsor-backed companies by strategic acquirers, larger PE funds, and Initial Public Offerings. This shows that overall investor sentiment has remained bullish across all funding sources, with significant upside potential for operators and investors to continue to drive consolidation.

Near-term concerns, however, will also help shape the industry. For example, the threat of a potential increase in the capital gains tax rate might cause disruption, or prompt acceleration, in mergers and acquisitions activity. Some COVID-induced changes might have perpetual effects as telehealth becomes pivotal to any working healthcare business model, and timely digitalization will become a defining factor for the prosperity or mortality of a business.

Given the aligned consolidation incentives between sellers and buyers, Provident expects the strong level of interest in healthcare investments to prevail in 2021.



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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