
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 first quarter of 2021

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Q1 Market Update & 2020 Year in Review: Strong Outlook for the Year Ahead

In 2020, the healthcare industry experienced many ups and downs as the pandemic struck the nation early on. M&A activity briefly paused during the spring months before quickly returning to historic averages by mid summer. The first quarter of 2021 continued the uptick in M&A activity seen in the fourth quarter of 2020. The healthcare sector in particular has responded favorably as the Biden administration has doubled down on the pandemic response and economic recovery, vaccine distributions have been accelerated, new therapeutics are coming to market, and providers alongside health technology companies are innovating to meet evolving patient demands.

There have been several sectors that have seen increased activity driven by the continued effects of the pandemic during the early months of 2021. There has been a significant shift in the core dynamics of the market with a stronger push for telehealth and outpatient services, as patients have made convenience and accessibility a top priority. Additionally, behavioral health consolidation has increased in order to meet the needs of a growing number of patients suffering from depression, anxiety, and substance use disorder enhanced by the pandemic. Diagnostics deal volume has also increased as companies have invested into COVID-19 testing, allowing them to expand on their service offerings. Additionally, telehealth utilization has been on the rise with the strong push for digital health and at-home services. In the post-acute healthcare setting, several key transaction trends emerged including physician group partnerships and joint venture agreements between hospitals and home care/hospice providers. This has created an environment ripe for increased M&A activity, especially amongst strategic acquirers looking to expand their geographic presence. Several other sectors have seen increased deal activity, including life sciences, pharmaceuticals, biopharma, and medical device companies, which have all been at the heart of M&A activity this past quarter.

In the coming months, Provident expects healthcare M&A activity to continue at an elevated pace. Pent up demand for deal making based on depressed volumes in the first half of 2020 will continue to drive investors to put money to work in the healthcare space. Provident expects that the accelerated implementation of healthcare apps, telemedicine and web-based resources will continue to drive M&A activity across the health technology sector, with private equity firms and strategic acquirers spearheading these initiatives. These firms will also need to pay closer attention to improving access to care, reducing costs, and expanding data platform capabilities when choosing the ideal investment or strategic partner. In summary, 2021 is predicted to be another record setting year in healthcare M&A as persistent drivers of consolidation are set to play out in a post-pandemic period of economic recovery.

Notable Market Healthcare Deals This Quarter ⁽¹⁾

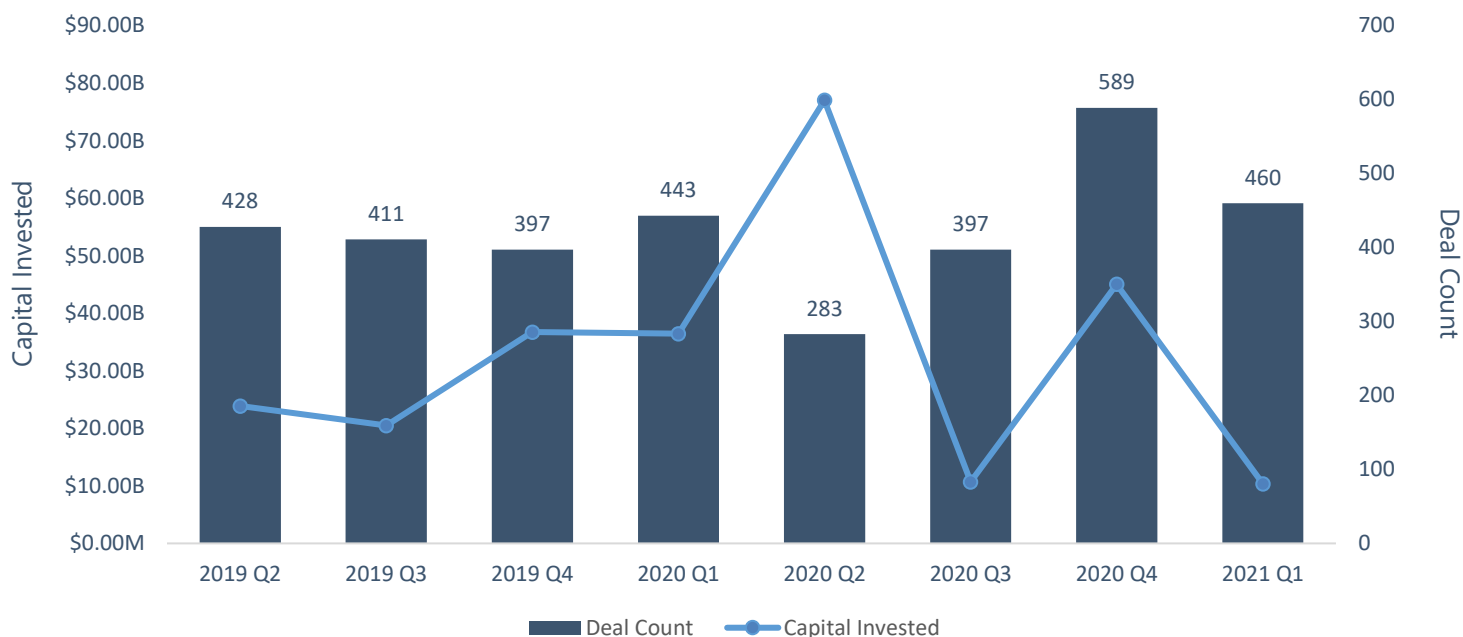
Behavioral Health	Dental	Health Plans
 <p>The Emily Program <i>Has merged with</i></p>  <p>VERITAS COLLABORATIVE <i>A portfolio Company of</i></p> 	 <p>CHERRY TREE DENTAL <i>Has been acquired by</i></p> 	 <p>Magellan HEALTH. <i>Has been acquired by</i></p> 
Pharmaceutical Services	Orthopedics/ Sports Medicine	Interventional Pain Management
 <p>PRA Health Sciences <i>Has been acquired by</i></p> 	 <p>BGO BLUEGRASS ORTHOPAEDICS <i>Has been acquired by</i></p> 	 <p>NATIONAL Spine & Pain CENTERS <i>Has merged with</i></p> 

⁽¹⁾: These are Q1 market transactions; Provident was not involved in these transactions.

Healthcare M&A Deal Stratification

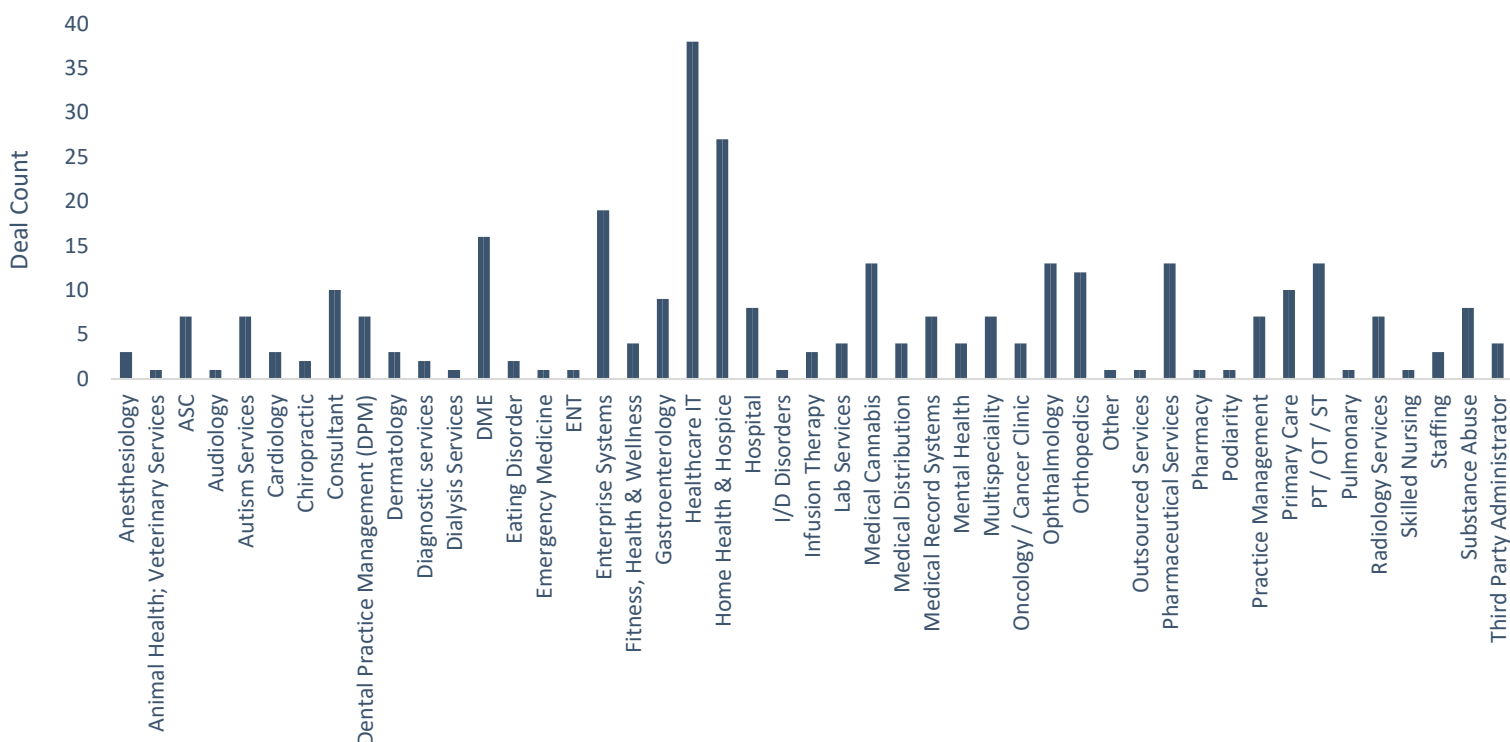
M&A activity in the healthcare sector has been off to a strong start this year, with over 160 private equity investments and over 300 strategic acquisitions for a total of ~460 transactions this quarter. This tremendous start to the year can also be seen through Icon's acquisition of PRA Health Sciences, valued at \$12B USD. Health technology and post acute care were two of the largest sectors that saw increased deal volume in the industry, with the pandemic having lasting impacts on these sectors. Private equity firms have also increased their presence in the industry as providers are continuing to seek stability and efficiency through cost-cutting measures.

Healthcare M&A Quarterly Deal Activity (2019 – 2021)



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.

Q1 2021 Healthcare Services Deal Count



Provident Quarterly Update

In the first quarter of 2021, Provident closed two transactions both within the physician services sector, one within Ophthalmology and one within Gastroenterology. Both groups elected to partner with a private equity-backed, strategic provider.

Provident Q1-2021 Transactions



Transaction Date January 2021

Transaction Date March 2021

Buyer EyeSouth Partners / Shore Capital

Buyer GI Alliance / Waud Capital

Deal Note

Provident advised Midwest Eye Center (MWEC), a leading multispecialty ophthalmology provider in the Greater Cincinnati Tri-State Area, through its partnership with EyeSouth Partners (EyeSouth), a portfolio company of Shore Capital Partners. MWEC is the second largest independent eye care services group in Cincinnati serving over 51,000 patients from 19 clinical locations and two ASCs. The acquisition marks EyeSouth's initial foray into the Midwest market and MWEC will serve as the group's regional beachhead for expansion in the region.

Deal Note

Provident advised Austin Gastroenterology (AG), the largest group of physicians in Central Texas specializing in gastroenterology, through a partnership with Waud Capital-backed, GI Alliance (GIA). AG is the largest GI practice in the greater Austin market with 21 locations and 65 providers. GI Alliance is one of the nation's largest independent gastroenterology services organization.

Whitepaper Releases

- [Provident Perspectives: 2020 Year In Review](#)
- [Potential Upcoming Changes to Drug Pricing Under Medicare Part B](#)

Podcast Episode and Webinar

- [Provident Webinar: Private Equity Investment in Gastroenterology: Before, During and After the Transaction](#)
- [Provident Deal Cast "Transaction Considerations for Home Health & Hospice Agencies"](#)
- [Guest Spotlight – The Etherist Podcast, Season 2: Models and Mergers](#)

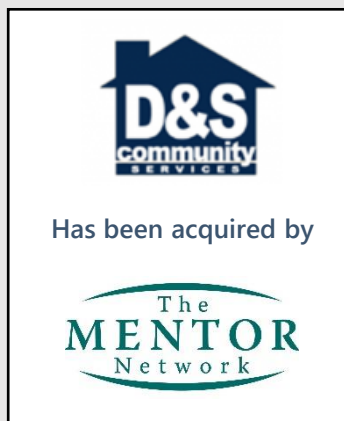
Market Update

In Q1, the Behavioral Health M&A market saw an uptick in M&A activity from previous quarters as several large industry leaders made sizeable acquisitions in light of strong market conditions, including The Stepping Stone Group and The Mentor Network

Even with the initial rolling out of the COVID-19 vaccine, the pandemic has proved both a physical and mental health crisis due to prolonged lockdowns, job losses, and social isolations. Additionally, adults and children have faced unique health challenges with stay-in-place orders and remote learning environments which have led to increased anxiety and depression.

Provident expects 2021 to see increased deal flow in this sector for the remainder of the year with private equity firms alongside key market players continuing to consolidate the industry.

Transaction Spotlight:



- The Mentor Network, the premier home and community based provider of specialized health care, acquired D&S Community Services, a leading provider of residential services for individuals with intellectual and developmental disabilities
- This acquisition allows The Mentor Network to expand on its availability of critical services that support overall health and well-being of people with intellectual and developmental disabilities across the country

Select Transactions:

Autism Services & General Mental Health Services

Month	Acquirer	Target	Location(s)	State(s)
January	Apara Autism Center	Behavior Pioneers	4	TX
January	Broadstep Behavioral Health	Excalibur Youth Services	undisclosed	NC, SC
January	Summit BHC	Peak Valley Behavioral Health	1	CO
February	Lighthouse Autism Center	Access Behavior Analysis	4	IN
February	Acadia Healthcare	Adventist Health Vallejo	4	CA
February	The Mentor Network	D&S Community Services, LP	27 Service Areas	TX, TN, KY
February	ACES	Center for Language and Autism Support	1	OK
March	LEARN Behavioral	Behavior Analysis Center	1	IN
March	Community Psychiatry	Harbor Psychologist, Inc.	1	CA
March	The Stepping Stones Group	EBS Healthcare	19	13 States
March	Acorn Health	Sandcastle Centers	1	FL

Addiction & Medication-Assisted Treatment (MAT)

Month	Acquirer	Target	Location(s)	State(s)
January	Odyssey Behavioral Healthcare LLC	Shoreline Center for Eating Disorder Treatment	2	CA
January	Brightview Health	Renew Recovery LLC	4	KY
February	Veritas Collaborative	The Emily Program	15	MN, OH, PA, WA
February	AppleGate Recovery	Redemption Recovery	5	TN
March	Sierra Health and Wellness Group	Beacon House	8	CA

Provident Industry Coverage Team

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

Chris Purdy
Associate
cpurdy@providenthp.com
(310) 359-6617

Daniel O'Brien
Analyst
dobrien@providenthp.com
(617) 226-4292

Recent White Paper

[*Investment & Consolidation in Mental Health Services*](#)

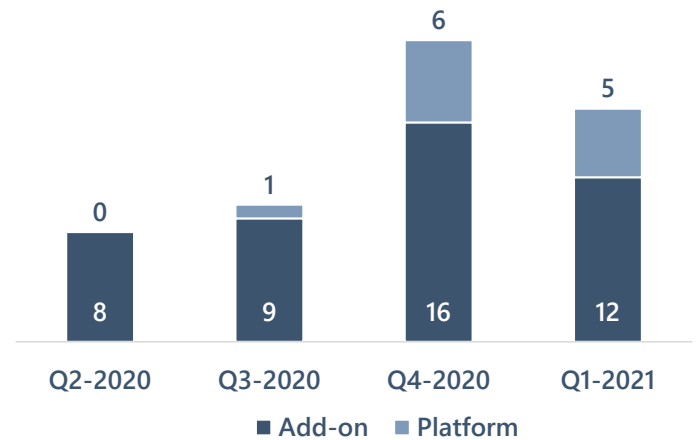
Q1-2021 Dental Services Update

Market Update

The dental services market continues to show signs of a healthy recovery following a halt in platform-level transaction activity from April to June 2020. Following initial COVID-19 shutdowns of most non-emergency dental care, some large dental services organizations maintained a decreased level of add-on transaction volume, however it was unclear when or if new private equity investment would return to the space. In recent months, it has become clear that investor interest in dental services has successfully rebounded to 2019 and early-2020 levels, with new private equity investment into 11 dental services platforms in Q4-2020 and Q1-2021, compared to an average of 3.5 new platforms per quarter in 2019.

This increase in investor interest is highlighted by several landmark transactions including Charlesbank's investment into MB2 Dental, Varsity Healthcare Partners' investment into Peak Dental Services, and ICV Partners' investment into Cherry Tree Dental. These businesses vary greatly in size and strategy – ranging from MB2's national presence and history of institutional ownership to Cherry Tree's single-state operations – but all share the characteristics required to attract investor interest from experienced healthcare investors. Many of the investment firms recently completing dental transactions are respected, experienced groups within the healthcare market and their renewed interest in the space will provide reassurance to the rest of the market that stability, growth, and consolidation are not going away in the dental services market.

Post-COVID Dental M&A Activity



Select Transactions

Month	Target	Investor	# of Locations	Geography
March	Cherry Tree Dental	ICV Partners	29	Wisconsin
March	P1 Dental Partners	Prairie Capital	26	Indiana
March	Reign Dental	DECA Dental	2	Washington
February	MB2 Dental	Charlesbank Capital Partners	250+	25+states; HQ in TX
January	PEDIA	Smile America Partners	14	Illinois
January	Peak Dental Services	Varsity Healthcare Partners	39	Colorado
December	ClearChoice	Aspen Dental Management	65	25+states; HQ in CO
December	Tru Family Dental	Heartland Dental Care	23	Michigan, Illinois
December	Midwest Dental	Smile Brands	230	15+ states, HQ in WI

Provident Industry Coverage Team

Michael Patton Managing Director mpatton@providenthp.com (617) 226-4205	Ajeya Shekar Director ashekar@providenthp.com (617) 226-4251	Chris Schlesinger Associate cschlesinger@providenthp.com (617) 226-4254
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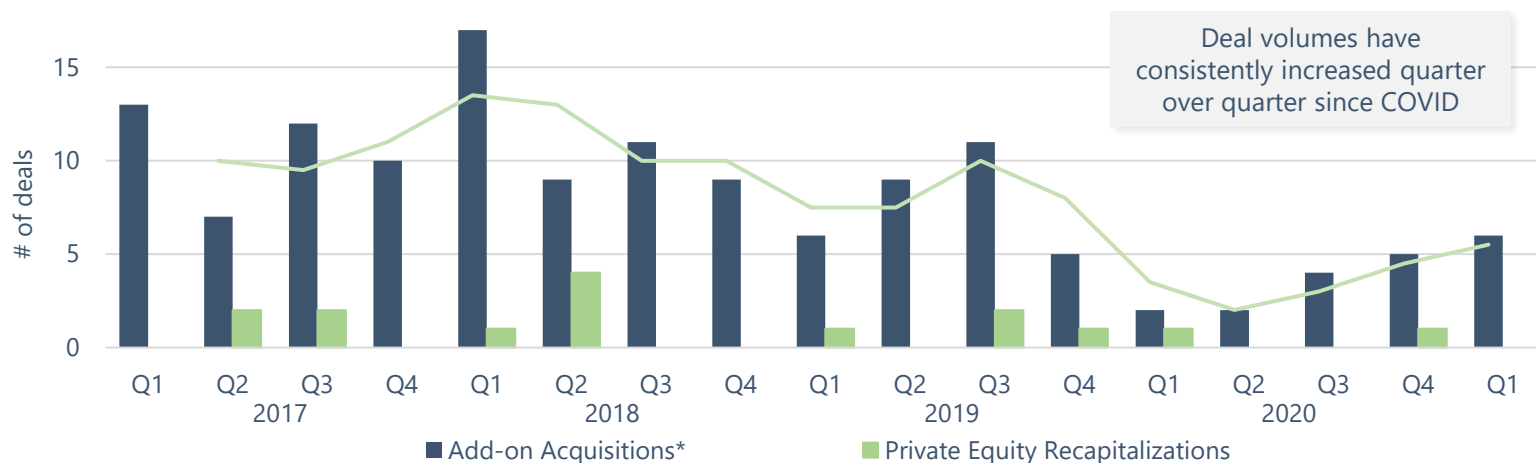
Upcoming Conference



Dykema Definitive DSO Conference
 July 28-30th
 Aurora, CO

Q1-2021 Dermatology Update

Market Update



The dermatology space continues to show signs of recovery as transaction volume increased for the fourth consecutive quarter since the start of COVID-19. While deal making remains slightly tepid relative to years past, deal structures and valuations continue to be very seller-friendly. Provident expects a steady stream of closed transactions over the course of 2021 with the potential to see an uptick in activity towards the back half of the year as sellers try to front run potential tax policy changes that are likely to be implemented in 2022. Additionally, with approximately a third of platforms over four years into their investment cycle, Provident expects secondary transactions to comprise a growing percentage of total deal volume in 2021 and beyond.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
February	Advanced Dermatology, PC	Advanced Dermatology Associates	5	10	NY
February	Anne Arundel Dermatology Management	Carolina Skin Care	4	2	NC
January	Epiphany Dermatology	Sunflower Dermatology	2	3	MO
January	United Derm Partners	Advanced Dermatology & Skin Surgery	2	7	NC
January	Schweiger Dermatology Group	Montgomery Dermatology	3	5	PA
January	Epiphany Dermatology	Infinity Skin Care	1	1	IA

Provident Industry Coverage Team

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

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

Recent Publications

Members of the Provident Healthcare Partners team recently published a 2020 Year In Review white paper, which provides a comprehensive overview of transaction activity from an unprecedented year for M&A across healthcare services

Q1-2021 Durable Medical Equipment (DME) Update

Market Update

Transaction activity in the first quarter of 2021 continued to build off the strong momentum following a highly active 12 months for DME M&A. Strategic consolidators continued to display an appetite for executing acquisitive transactions to either deepen an existing market footprint or to diversify revenue streams, while private equity investors executed on new platform investments in the sector, displaying the bullish sentiment on DME across the investor community.

M&A activity within DME is poised to continue its recent momentum as new private equity platforms seek to execute tuck-in acquisitions and large strategic consolidators continue to build scale.

Notable Transaction



In March 2021, Chicago-based private equity firm New Harbor Capital recapitalized Pontiac, MI-based Advent Home Medical, a provider of respiratory care services and equipment to acute patients in an in-home setting. Advent also operates a full-service pharmacy to address patient medication needs.

The transaction represents a continuation of private equity investor interest in initiating platform investments in DME, following Gemini Investors recapitalization of AZ MediQuip in December 2020.

Select Transactions:

Month	Acquirer	Target	Deal Description
March	American Medical Technologies	Restorix Health	American Medical Technologies (AMT), a provider of wound care, ostomy, urology, and tracheostomy supplies to long-term and post-acute facilities, has merged with RestorixHealth, a wound care management company offering wound care services across 230+ outpatient clinics and home-based settings. The merger will further extend RestorixHealth's footprint across the care continuum.
March	PromptCare Companies	NBN Infusions	PromptCare Companies, a New Jersey-based regional provider of complex respiratory and specialty home infusion services, has acquired NJ-based NBN Infusions, a specialty infusion and respiratory therapy services provider. The acquisition deepens PromptCare's presence in its target market, increasing its scale and patient reach.
February	AeroFlow	Family Medical Supply	AeroFlow Healthcare, an Asheville, NC-based provider of DME, has acquired Wheeling, WV-based Family Medical Supply, a provider of HME and incontinence supplies. The acquisition represents a continuation of AeroFlow's ongoing strategy of achieving growth and economies of scale via M&A.
February	Protech	Mayhugh's Medical Equipment	Protech Home Medical has acquired Jacksonville, FL-based Mayhugh's Medical Equipment, a respiratory focused provider with over 10,000 active patients. The transaction comes amidst a broader push by Protech to grow from a regional to a national home respiratory care provider by executing a series of acquisitions to grow its platform.

Provident Industry Coverage Team

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

Brendan Schroeder
 Analyst
 bschroeder@providenthp.com
 (617) 226-4207

Q1-2021 Emergency Medical Services Update

Market Update

The urgent care sector is consolidating due to interest from health systems, primary care providers, and private equity-backed strategics. Much of the interest has derived from urgent care providers' value to the system during the pandemic, including alleviating the burden of COVID-testing from acute care providers in the emergency setting. Trinity Health, a Catholic health system announced a majority investment in Premier Health. As part of the deal, Premier will begin operating 20 of Trinity Health's urgent care locations. Private equity is continuing to partner with urgent care providers and their management teams in the South and Midwest as well. ICV Partners' deal with Total Access Urgent Care will focus on expanding the company's geographic footprint throughout the Midwest.

Select Transactions:

Month	Acquirer	Target	States	Deal Significance
Urgent Care:				
March	Skylight Health	Rocky Mountain Healthcare	1	Rocky Mountain Health Care, a primary care and urgent care provider in Denver and Boulder, Colorado, has been acquired by Skylight Health (TSXV: SHG). The acquisition brings seven additional urgent care centers to Skylight's portfolio.
March	Trinity Health	Premier Health	7	Trinity Health, one of the largest Catholic health care delivery systems in the nation, announced today that it acquired a majority ownership stake in Premier Health. As part of the partnership, Premier Health will take over 20 existing Trinity Health urgent care locations throughout Michigan.
March	ICV Partners	Total Access Urgent Care	3	ICV Partners, a private equity firm focus on business, healthcare, and consumer services, has made a majority investment in Total Access Urgent Care, a 26-location urgent care provider in the Midwest region.
Emergency Medical Services				
March	Emergency Reporting	Medusa Medical Technologies	N/A	Emergency Reporting, a global leader in cloud-based reporting and records management software EMS, and other emergency response agencies, has acquired Medusa Medical Technologies. Medusa provides electronic patient solutions to emergency response and EMS agencies globally.

Provident Industry Coverage Team

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

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

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

Q1-2021 Healthcare IT Update

Market Update

Transaction activity across the Healthcare Information Technology (HCIT) sector got off to a strong start in 2021, building upon an active 2020. As COVID-19 related restrictions continued through the first three months of the year in several US regions, hospitals and health systems continue to incorporate and grow virtual care as a core aspect of their long-term strategy and service offering. Additionally, as patients are becoming increasingly comfortable utilizing telehealth services and ease of use increases, healthcare providers are actively looking to acquire and invest in telehealth and other digital health platforms.

Provident expects activity within the sector to remain heightened in the coming months as providers look to expand upon their capabilities and further solidify their digital health infrastructure.

HCIT Public Comparable Multiples

Select Public Healthcare IT Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV/REV	EV/EBITDA
Allscripts	\$15.41	\$1.5B	\$97.8mm	1.28x	19.71x
Evolent Health	\$20.50	\$1.02B	\$(248)mm	1.76x	N/A
Teladoc Health	\$182.01	\$1.09B	\$(437.4)mm	25.93x	N/A
Inovalon Holdings	\$29.86	\$667.5mm	\$186.6mm	8.16x	29.21x

As of 4/6/2021

Select Transactions:

Month	Acquirer	Target	Target :		
			Business Segment	Headquarters	Deal Size
March	Cloudmed	Databound	Revenue Intelligence	Ithaca, NY	N/A
March	Net Health Systems	Casamba	EMR Software	Agoura Hills, CA	N/A
March	Optimus Healthcare Services	PainScript	Chronic Care Management	Rockville, MD	\$4.5M
February	Harris Healthcare	Bizmatic	EMR Software	San Jose, CA	N/A
February	SV Health Investors	Health Payment Systems	Payment System	Milwaukee, WI	N/A
January	GetWellNetwork	Docent Health	Patient Engagement System	Boston, MA	N/A
January	General Atlantic & Vistria Group	CareMetx, LLC	Patient Engagement System	Bethesda, MD	N/A
January	Modernizing Medicine	Exscribe	EHR Software	Bethlehem, PA	N/A

Provident Industry Coverage Team

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

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

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

Q1-2021 Healthcare Staffing Update

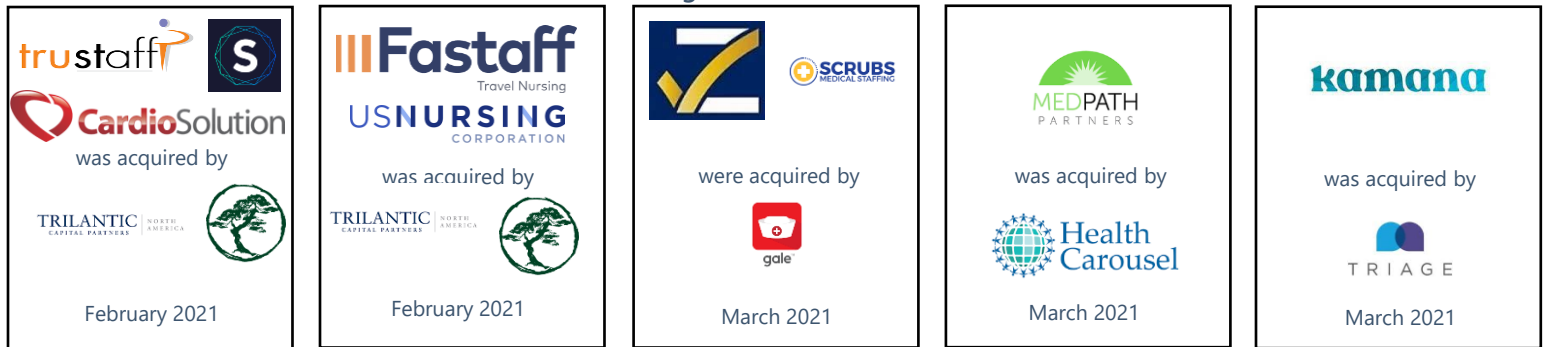
Market Update

Staffing continued to experience momentum and investor interest from Q4 2020 into Q1 2021. Travel nursing, per diem, life sciences, and allied staffing experienced the most growth while locums remained rather flat. Registered nurse pay increased approximately 24% and average pay in healthcare increased 19% YOY respectively, as a result of the pandemic. Hiring in New York, New Jersey, and California surged, and hiring in smaller cities with attractive costs of living and weather conditions also experienced growth per Staffing Industry Analysts.

One notable new platform announcement in Q1 included Trilantic and Cornell Capital's investment in Truststaff Management, a provider of travel nurse and allied staffing solutions. The investment was supplemented with acquiring CardioSolution, which provides cardiologists and other support to hospitals, and Stella, a technology solution matching employers with candidates. The platform was further diversified with the acquisitions of Fastaff, a travel nurse rapid response provider, and US Nursing, which offers nursing services during strikes.

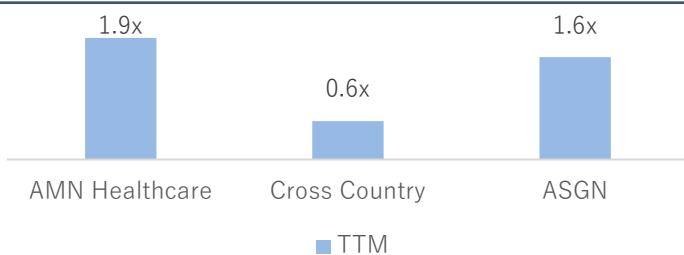
Technology continues to remain a focus for staffing platforms as firms look to provide faster onboarding, more clinical support for field staff, and to meet patient demand. Firms continue to increase technology spending pertaining to job advertisements, candidate verification, and assessments.

Notable Staffing Transactions in Q1 2021

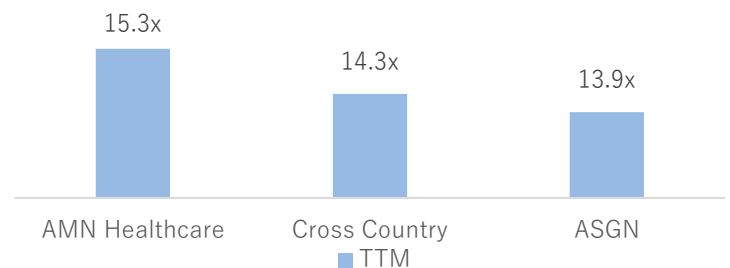


Enterprise Value to Revenue Multiples

Industry Multiples



Enterprise Value to EBITDA Multiples



Source: CapIQ, as of April 7, 2021

Select Transactions

Month	Acquirer	Target	Service Lines	Presence
February	Cornell Capital and Trilantic North America	Truststaff Management, CardioSolution, and Stella	Healthcare Staffing	Nationwide
February	Cornell Capital and Trilantic North America	Fastaff and US Nursing	Healthcare Staffing	Nationwide
March	Gale Healthcare	Scrubs and Zactly Healthcare	Healthcare Staffing	Nationwide
March	Health Carousel	MedPath	Healthcare Staffing	Nationwide

Provident Industry Coverage Team

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

Rich Sciretta
 Senior Associate
 rsciretta@providenthp.com
 (617) 226-4215

Q1-2021 Home Health & Hospice Update

Market Update

The hospice market remains at an all-time high in terms of interest level and valuations, both from the private equity community and from strategic consolidators. It is no surprise that some of the larger players in the space are looking to take advantage of the heightened valuation environment. Publicly traded Encompass Health is exploring strategic alternatives for its home health and hospice business and private-equity backed Bristol Hospice recently fielded first-round offers with several private equity groups bidding upwards of \$1 billion.

Given the large home health components of each business, the Abode Healthcare and Brookdale Home Health deals should be viewed as promising sign that we will see a resurgence of activity within the skilled home health segment, which has lagged behind hospice M&A considerably these past few years.

Home Health & Hospice Comparable Multiples

Select Public Post Acute Care Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV / Rev	EV / EBITDA
National Healthcare Corp	\$66.41	\$981	\$160	0.94x	8.08x
Amedisys, Inc.	\$293.33	\$2,072	\$316	4.91x	34.30x
LHC Group, Inc.	\$213.32	\$2,063	\$266	3.25x	23.95x
Addus HomeCare	\$117.09	\$765	\$77	2.35x	25.34x

As of 12/31/20

Revenue / EBITDA in \$000s

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
March	Mission Healthcare	Alliance Home Health & Hospice Care	1	1	Mission Healthcare, a portfolio company of The Vistria Group, has acquired Alliance Home Health & Hospice Care expanding its service offerings to the Bay Area.
February	BrightSpring Health Services	Abode Healthcare	45	12	BrightSpring Health Services, backed by private equity-firm KKR, has acquired Abode Hospice and Home Health for \$775 million according to PE Hub.
February	HCA Healthcare	Brookdale Home Health	163	27	HCA Healthcare will pay \$400 million to acquired 80% of Brookdale Senior Living's hospice, home health and outpatient therapy division. This transaction expands HCA's reach beyond hospitals, surgery centers and free-standing emergency rooms.
January	Grant Avenue Capital	Valeo Home Health and Hospice	1	1	Grant Avenue Capital, a healthcare-focused private equity firm, has acquired Salt Lake City-based Valeo Home Health and Hospice.
January	LHC Group	Grace Hospice	1	1	LHC Group has finalized its acquisition of Grace Hospice in Tulsa Oklahoma, expecting to add annualized revenues of roughly \$12.1 million.
January	The Pennant Group	Sacred Heart Home Health Care	1	2	The Pennant Group has acquired Sacred Heart Home Health Care expanding its service offerings in the Tucson market and strengthening its presence in Phoenix.

Provident Industry Coverage Team

Kevin Palamara
Managing Director

AJ Shekar
Director

Jake Vesely
Associate

kpalamara@providenthp.com ashekar@providenthp.com jvesely@providenthp.com

(617) 226-4221

(617) 226-4251

(617) 226-4293

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.

Q1-2021 Laboratory & Diagnostic Services Update

Market Update

The laboratory services space and diagnostics sectors have seen rampant M&A activity over the past 3 years and followed on a similar trajectory this quarter. The market saw significant players announce acquisitions such as Thermo Fisher Scientific and Quest Diagnostics.

The onset of the global pandemic has accelerated the need for strategic initiatives that address industry transformation and alignment. Revenues stemming from infectious disease testing have drastically increased, placing these previously under-valued businesses in a strong position to engage the market moving forward.

Laboratory Services Public Trading Multiples

Company	Ticker	EV	Revenue	EBITDA	EV/REV	EV/EBITDA
LabCorp	LH	\$25.9B	\$13.98B	\$3.7B	2.09x	9.56x
Quest Diagnostics	DGX	\$19.7B	\$9.4B	\$2.5B	2.18x	8.55x
Eurofins	ERFSF	\$19.1B	\$6.2B	\$1.8B	3.45x	13.28x

EV, Revenue & EBITDA: TTM as of December 31, 2020
 EV/REV & EV/EBITDA: TTM as of March 23, 2021

Select Transactions:

Month	Acquirer	Target	Deal Description
March	Quest Diagnostics	Mercy Health System's Outreach Lab Services Business*	Quest Diagnostic, the leading provider of diagnostic information services, and Mercy, one of the nation's most highly integrated, multi-state health care systems, announced a definitive agreement for Quest to acquire the outreach laboratory services business of Mercy in an all-cash asset transaction. The aim of the transaction is to broaden access to innovative, quality and cost-effective laboratory services to deliver affordable patient care throughout the Midwest.
January	Thermo Fisher Scientific, Inc.	Mesa Biotech Inc	Thermo Fisher Scientific, based in Waltham, Massachusetts, is acquiring Mesa Biotech for about \$450 million in cash. There is also an additional \$100 million in cash after certain milestones are hit. Mesa Biotech, based in San Diego, California, is a privately held molecular diagnostic company. It has developed and markets a PCR-based rapid point-of-care testing platform for infectious diseases, including SARS-CoV-2 (COVID-19), flu A and B, respiratory syncytial virus (RSV) and Strep A. Mesa has about 500 employees and in 2020 reported revenue of about \$45 million.
January	Caprion-HistoGeneX	Mosaic Laboratories LLC	Caprion-HistoGeneX, a leading global contract research laboratory services provider backed by Arsenal Capital Partners, announced the acquisition of Mosaic Laboratories LLC, a California-based company offering histology and immunohistochemistry services to global pharmaceutical clients. The addition of Mosaic further strengthens the North American base for Caprion-HistoGeneX's histopathology assay development and deployment, expands the volume of pathology services and consolidates the company's position as a world-leading service provider of histopathology biomarker analysis for global clinical trials.
January	Ampersand Capital Partners	Genezen Laboratories	Genezen Laboratories Inc. a cell and gene therapy contract development and manufacturing organization focused on early-phase process development, vector production, and analytical testing services, has received a majority investment from Ampersand Capital Partners a private equity firm specializing in growth equity investments in the healthcare sector.
January	Infinity Laboratories	MicroWorks, Inc.	Infinity Laboratories is proud to announce the acquisition of MicroWorks, Inc. in Crown Point, IN. Founded in 1996, MicroWorks operated as a privately owned company, offering a wide variety of microbiological testing services to support the needs of the pharmaceutical, medical device, biotech and nutraceutical industries by providing accurate, reliable laboratory testing and consulting services.

* The outreach laboratory services business

Provident Industry Coverage Team

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

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

Daniel O'Brien
 Analyst
 dobrien@providenthp.com
 (617) 226-4292

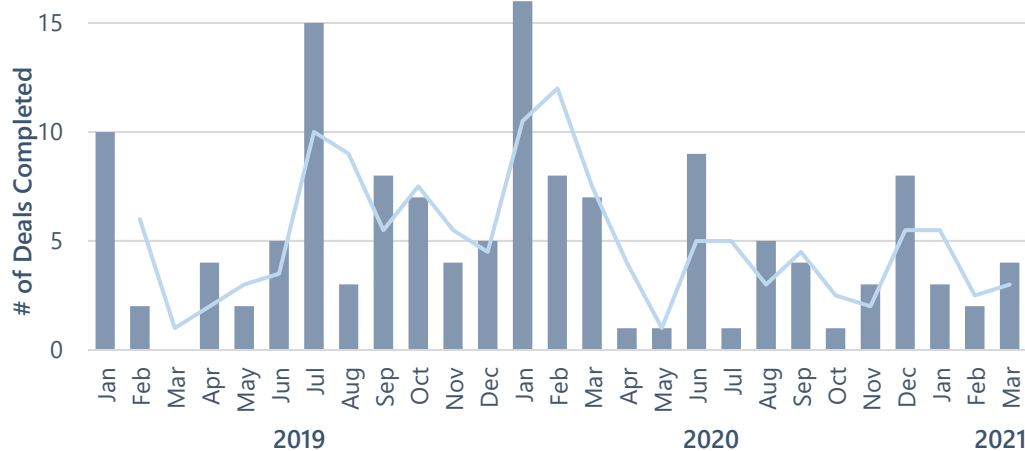
Dx Services Whitepaper

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

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Q1-2021 Ophthalmology Update

Market Update



PHP Completed Transaction



Ophthalmology continues to be one of the most active sectors in healthcare services, with transaction volume driven primarily by strategic acquisition activity. The space quickly recovered to pre-COVID transaction levels during the latter half of 2020 and has continued the momentum through the first quarter of this year. Provident expects that trend to continue as multiple platforms, three to four years into their investment, have started to gear up for a secondary sale. By the end of the 2021, over a dozen PE-backed eyecare organizations will be at least four years into their investment cycle, which typically lasts four to six years. Additionally, given the prospects of potential tax changes in 2022, Provident expects an influx of deal making to occur prior to year-end to take advantage of an extremely seller friendly valuation and tax environment.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
Mar	American Vision Partners	Southwest Eye Institute	9	13	TX
Mar	Retina Consultants of America	Retina Associates, P.A. of Kansas City	11	10	KS, MO
Mar	Beverly Capital	The Eye Health Group	8	9	NJ, NY
Mar	Sunvera Group	Kellis Eye & Laser Center	7	5	OH
Feb	EyeSouth Partners	North Georgia Eye Clinic	7	9	GA
Feb	Quigley Eye Specialists	Beraja Medical Institute	1	7	FL
Jan	EyeSouth Partners	Midwest Eye Center*	19	28	KY, OH
Jan	Midwest Vision Partners	Parschauer Eye Center	2	15	OH
Jan	Vision Innovation Partners	Eyes of York	1	3	PA

* Provident served as exclusive advisor to Midwest Eye Center in its transaction with EyeSouth Partners

Provident Industry Coverage Team

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

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

Recent Publication

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.
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Q1-2021 Pharmaceutical Services Update

Market Update

ICON's \$12 billion acquisition of PRA Health Sciences was the most significant update in the CRO and CDMO sectors in the first quarter of 2021. Despite a temporary slowdown in large transactions between the industry's top consolidators, the deal marks a significant shift in market share towards the top four CRO players. The CDMO sector continues to outpace other areas of pharmaceutical services in deal volume specifically, driven by growth in cell and gene therapy development needs from sponsors, and re-allocation of assets amongst existing industry players, particularly in North America where tensions with China have led to re-patriation of many supply chains.

Select Transactions:

Month	Acquirer	Target	Target Focus	Deal Description
March	ANI Pharmaceuticals	Novitium Pharma	CDMO	In an effort to grow its own internal capabilities, ANI Pharmaceuticals has acquired Novitrium Pharma, a New Jersey-based CDMO with development, manufacturing, and commercialization expertise.
March	Sterling Pharma Solutions	ADC Biotechnology	CDMO	Sterling Pharma Solutions, has acquired ADC Biotechnology, a UK-based bioconjugation development services business specializing in antibody drug conjugates (ADCs). The company has 50 years of expertise in cGMP manufacturing and compliance support.
March	WuXi	CMAB BioPharma Group	CDMO	China-based WuXi has expanded its biologics development and manufacturing abilities with the acquisition of CMAB BioPharma Group, a Suzhou-based clinical GMP manufacturing company with 250 employees.
March	Charles River Laboratories	Cognate BioServices	CDMO	Charles River has expanded into the CDMO space with its \$900m acquisition of Cognate BioServices. Cognate focuses on high growth cell and gene therapy development and manufacturing.
March	Charles River Laboratories	Retrogenix	CRO	Retrogenix, a technology-enabled CRO focused on bioanalytical services, has been acquired by Charles River. Retrogenix's technology will complement Charles River's other assets in the cell and gene therapy spaces.
February	ICON	PRA Health Sciences	CRO	PRA Health Sciences has been acquired by ICON in a \$12b deal. The transaction will make ICON the second biggest CRO in the market and enhance their ability to manage and develop de-centralized clinical trials.

Provident Industry Coverage Team

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

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

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

Q1-2021 Pharmacy & Infusion Services Update

Market Update

The pharmacy services market has observed renewed interest in compounding services from private equity in recent months, driven by long-term growth in the sector, continued compliance improvements, and reliance on complex medications in emerging areas of health such as veterinary services. New Harbor Capital exited its investment in Wedgewood Pharmacy to Partners Group, signifying continued interest and growth opportunities within the veterinary pharmacy space. Osceola Capital also formed Revelation Pharma through its acquisition of Everwell Pharmacy, which focuses on 503A compounding.

Select Transactions

Month	Acquirer	Target	Pharmacy Sub-Sector	Deal Significance
March	PromptCare	NBN Infusions	Home Infusion Therapy	PromptCare, a leading regional provider of complex respiratory and specialty home infusion services, announced it has acquired NBN Infusions, New Jersey-based provider of home infusion and respiratory therapy services for patients with complex and chronic conditions.
March	CareRx	SmartMeds Pharmacy	Institutional Pharmacy	CareRx, the largest pharmacy services provider to senior communities in Canada, has acquired SmartMeds, a pharmacy serving 24,000 residents in long term care, assisted living and other institutional settings in Ontario.
March	Osceola Capital	Revelation Pharma	Compounding Pharmacy	Private equity firm Osceola Capital has acquired Everwell Pharmacy and formed Revelation Pharma. Everwell is a 503A focused compounder for complex medications. Through Revelation Pharma, the platform will focus on identifying future M&A candidates that also focus on 503A compounding.
March	Partners Group	Wedgewood Pharmacy	Veterinary Pharmacy	Partners Group, a private equity firm focused on the middle-market has completed a majority investment in Wedgewood Pharmacy, the largest compounding pharmacy in the U.S. devoted to animal health. New Harbor Capital was the owner of Wedgewood prior to their exit in the deal.

Provident Industry Coverage Team

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

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

Upcoming Conference



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

Q1-2021 Physician Services Update



Market Update

Consolidation activity in the physician services sector is off to a strong start in 2021, with activity spanning across a variety of sub-sectors. Strategic acquirers spearheaded the consolidation activity this quarter, expanding and solidifying their national presence. Provident anticipates pent up demand for physician deals to drive a high volume of transactions throughout 2021.

Notable Transaction



Provident served as the exclusive financial advisor to Austin Gastroenterology in its partnership with GI Alliance (GIA). The partnership advances GIA's commitment to be the unparalleled provider of high-quality, cost-effective patient care for GI in the nation.

Select Transactions:

ENT					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
January	South Florida ENT Associates	Texas ENT	30+	15	1
Gastroenterology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
March	GI Alliance	Austin Gastroenterology ⁽¹⁾	36	21	1
February	One GI	Dayton Gastroenterology	26	4	1
Orthopedics					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
March	SCL Health	Montana Orthopedics	5	1	1
February	Orthopaedic & Neurosurgery Specialists	Orthopaedic Associates of Manhasset	15	3	1
January	Trivest Partners	Bluegrass Orthopaedics	14	10	1
Urology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
March	Solaris Health	Associated Urological Specialists	22	11	1
January	United Urology Group	Arizona Institute of Urology & Urological Associates of Southern Arizona	20	12	1
January	Solaris Health	MidLantic Urology	64	47	1
Women's Health					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
March	Ochsner Health	Louisiana Women's Healthcare	33	1	1
February	Shore Capital Partners	Eastside Gynecology Obstetrics & Comprehensive Women's Care	17	7	1

(1) Provident served as exclusive financial advisor

Provident Industry Coverage Team

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

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

Recent Webinar:



Provident recently hosted a panel discussion on *Private Equity Investment in Gastroenterology: Before, During, and After the Transaction*. [Click here](#) to view the discussion.

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Q1-2021 Private Equity Update

Commentary

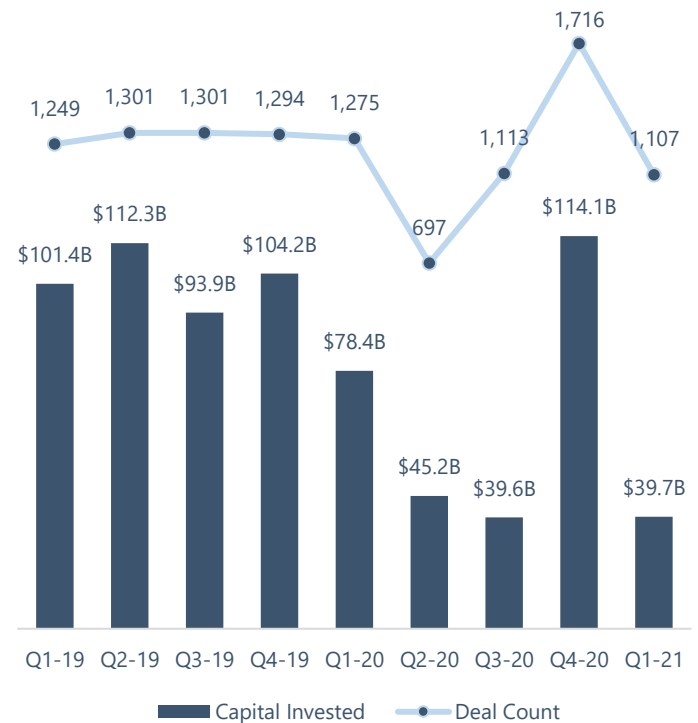
The private equity market remained active during the first quarter of 2021, with some momentum from an eventful Q4-20 pushing its way into Q1-21. PE continues to deploy capital as most firms sat on the sidelines and monitored their portfolio companies during the first half of 2020. Furthermore, Q1-21 sustained impressive deal volume as PE groups made additional platform and add-on investments given their substantial reserves of dry-powder, which is estimated to be north of \$1.5 trillion⁽¹⁾.

Robust PE interest and increased competition for healthcare assets are swelling valuation multiples, despite some ongoing business challenges, state and federal restrictions, and disruption to earnings presented by COVID-19. In fact, valuation multiples within several healthcare sectors remained at or above pre-COVID-19 levels due to pent-up demand as investors seek to deploy capital. As a measure of how heated the market is, ~70% of U.S. buyouts priced above 11.0x EBITDA⁽²⁾. Q1-21 transactions have also shown that buyers are still willing to recognize COVID-19 normalizations to remain competitive in processes, which is likely to further support current valuation levels.

Another major theme in 2020 which continued into Q1-21 was the popularity of special purpose acquisition companies (SPACs), which have raised more than \$89B this year⁽²⁾. SPACs are proving to be speedier and a more certain way to take companies public versus traditional IPOs and could be instrumental long-term in the capital markets and PE exits.

Lastly, the prospect of returning to normalcy is buoyed by the current COVID-19 vaccine candidates, of which there are currently three EUA vaccines in the U.S. (Janssen, Moderna, and Pfizer), and vaccine adoption is increasing.

Private Equity Investment & Deal Count⁽¹⁾



Q-1 2021 Healthcare Private Equity Quick Stats⁽¹⁾

Transactions
190+

Overall, healthcare transactions were down in Q1-21 from 386 in Q4-20, partly due to a backlog of deals that were delayed until year-end. Increased competition also increased valuations, making it gradually more difficult for PE to compete against strategic acquirers who can immediately benefit from revenue and / or cost synergies.

PE Exits
70+

Several notable PE exits occurred in Q1-21 including Renal Care's (Nautic Partners) acquisition of American Renal Associates from Centrebridge Partners for \$853M, and Novo Holdings acquisition of Altasciences from Audax Group (terms of the transaction were not publicly disclosed).

Investors
280+

The diverse investor and acquirer base highlights how sectors across the healthcare spectrum remain extremely active and ripe for consolidation.

Capital Invested
\$4.8B

Investor interest in healthcare remains strong and risks associated with PE ownership of healthcare companies is perceived as minimal compared to other industries. Healthcare assets continue to be very defensible against macroeconomic downturns and comprised of ~12% of overall PE investment in Q1-21.

Largest Deal
\$1.0B

nThrive, a leading healthcare RCM SaaS platform, was acquired by Clearlake Capital, a CA-based PE firm. nThrive provides solutions to 900+ hospitals and health systems in North America, including 37 of the 40 largest healthcare providers in the U.S. The new partnership will provide operational resources to further to deliver innovation for its customers.

Top Investors by Deal Count



Sources:
1. PitchBook Data
2. Bain & Company.

Q1-2021 Rehabilitation Update

Market Update

The outpatient physical therapy market remains at an all-time high in terms of interest and valuations, particularly from the private equity community. As evidenced by the exits of several private-equity backed platforms last year and the recent SPAC announcement regarding ATI Physical Therapy, 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.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
March	Spine & Sport Physical Therapy	Performance Therapy Center	3	California	Great Point Partners' portfolio company, Spine & Sport Physical Therapy, a leading provider of outpatient physical therapy and rehabilitation services in Southern California, has acquired Performance Therapy Center, expanding its footprint to Ventura County.
February	SPAC (NYSE: FVAC II)	ATI Physical Therapy	900	25 States	ATI Physical Therapy announced a merger agreement that will take the company public, with a value of \$2.5 billion, or 14.0x 2020E Adjusted EBITDA. This is the first physical therapy SPAC offering.
January	CORA Physical Therapy	Volk Physical Therapy & Sports Medicine and Advanced Physical Therapy Center	2	North Carolina	CORA Physical Therapy, a top-10 national operator of outpatient physical therapy services, has broadened its coverage in North Carolina with the acquisition of Volk Physical Therapy & Sports Medicine and Advanced Physical Therapy Center.

USPH vs. Other Healthcare Facility Operators

Company	Ticker	EV/Revenue (TTM)	EV/EBITDA (TTM)
US Physical Therapy	USPH	4.11x	23.50x
Acadia Healthcare	ACHC	2.49x	14.76x
Encompass Health	EHC	2.61x	13.47x
HCA	HCA	1.65x	8.69x

As of 12/31/2020

Provident Industry Coverage Team

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

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

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

As the country begins to emerge from the pandemic, Provident expects M&A activity to continue its upward trajectory. As deals were put on pause in the middle quarters of 2020 in response to the challenges presented by the pandemic, there is an expectation that the return to pre-COVID deal flow will maintain its rapid pace.

Private equity sponsors remain eager to deploy the capital stores they have accumulated throughout 2020. Q1 was evident of this with a disproportionately large number of platform level transactions and private equity exits. Healthcare stood behind only information technology in total deal activity for Q1. Deal execution remains front of mind for private-equity backed platforms as they look to M&A for growth opportunities in this period of uncertainty. With re-openings and the vaccine roll-out continuing to grow across the country we expect earnings growth to keep up with investor sentiment and give way to sustained high valuation multiples in 2021.

As sellers look to capitalize on strong valuation levels and buyers continue to look to M&A to execute on their buy & build strategies, there exists a parallel transaction rationale between buyers and sellers. Provident expects the high level of interest in healthcare investment to continue 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.

Boston:

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

Los Angeles:

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

www.providenthp.com