

Q1-2021 Private Equity Update

Commentary

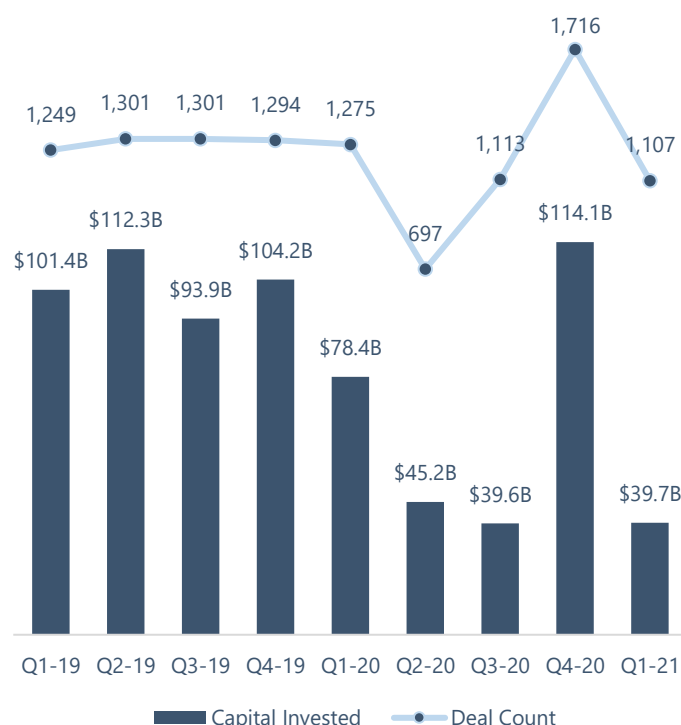
The private equity market remained active during the first quarter of 2021, with some momentum from an eventful Q4-20 pushing its way into Q1-21. PE continues to deploy capital as most firms sat on the sidelines and monitored their portfolio companies during the first half of 2020. Furthermore, Q1-21 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

ARES

BARINGS

WCAS

Audax Group

GRYPHON INVESTORS

Webster Equity Partners

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

Select Q1-21 Transactions

Month	Acquirer / Investor	Target	Healthcare Vertical	Target Description
March	Novo Holdings	Altasciences	Pharma Services	Altasciences is a mid-size contract research organization (CRO) offering pharmaceutical and biotechnology companies preclinical and clinical pharmacology studies, including formulating, manufacturing, and analytics services.
March	GI Alliance / Waud Capital	Austin Gastroenterology ⁽¹⁾	Gastroenterology	Austin Gastroenterology is the largest group of physicians in Central Texas specializing in gastroenterology with 18 clinics, three endoscopy centers, 36 board certified physicians, and 29 advanced practice providers.
February	Cornell Capital and Trilantic North America	trustaff	Staffing	trustaff is a provider of travel nurse and allied healthcare staffing services, and CardioSolution, a managed services offering providing cardiologists and support personnel to hospitals.
January	Clearlake Capital	nThrive	RCM	nThrive provides RCM SaaS solutions, patient access, charge integrity, claims management, contract management, ML & robotic process automation, and data & analytics to hospitals and health systems in North America.
January	Eye South Partners / Shore Capital Partners	Midwest Eye Center ⁽¹⁾	Vision Care	Midwest Eye provides primary eyecare in addition to retina, glaucoma, cornea, oculoplastic, and pediatric subspecialty care.

About Provident Healthcare Partners

Provident Healthcare Partners is a leading, independent healthcare investment bank specializing in mergers and acquisitions advisory, strategic planning, and capital formation services for middle-market and emerging growth companies, with extensive experience in both mature and developing areas of the healthcare services industry. Our sole focus on healthcare services gives us a deeper level of understanding of each sector that cannot be matched by a generalist firm.

Our mission is to consistently exceed the expectations of our clients by leveraging superior strategic thinking, unmatched knowledge of the healthcare industry, and decades of healthcare transaction advisory experience.

With a bi-coastal presence and national coverage, 29 investment banking professionals and over \$4B in TEV to date, Provident devotes a team of seasoned professionals to every transaction to ensure an efficient and successful close.

23+

Years of Healthcare Investment Banking

140+

Healthcare Deals Closed

65+

Physician Deals Closed Since 2014

24

Investment Banking Professionals

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Notes:

1. Denotes Provident Healthcare Partners transaction.