

Q2-2021 Private Equity Update

Commentary

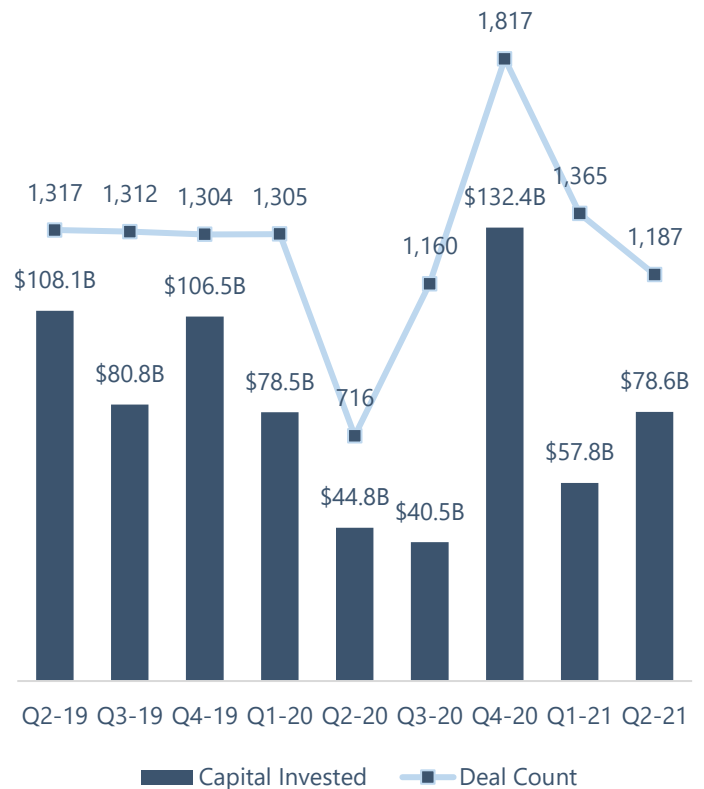
During Q2-20, which was the height of the COVID-19 pandemic, private equity was in full crisis mode as investors preserved capital to keep their portfolio companies above water. However, just a year later, private equity has roared back and is arguably healthier and more aggressive than years past.

Halfway through 2021, PE is on a record-setting pace with several mega-deals of \$1 billion or more and middle-market transactions surging due to the economic recovery, abundance of dry powder, and threats of an increase in long term capital gains. Dry-powder reserves, which is estimated to be north of \$1.5 trillion⁽¹⁾, was a driving force behind capital invested as PE groups made additional platform and add-on investments. Compared to Q2-20, Q2-21 deal volume and capital invested is up 75.5% and 65.8%, respectively.

The threat to a capital gains hike has also driven several PE exits, which would lead the U.S. to have the highest top marginal tax rate on capital gains in the Organization for Economic Co-operation and Development (OECD). Investors are also looking to take advantage of healthy public markets, abundance of SPACs looking to acquire targets, and corporate strategic acquirers that have become more aggressive and realize revenue / cost synergies.

PE and M&A activity is expected to remain strong through the second half of 2021. Provident projects that fewer deals will launch in H2-21 as most investors and bankers will look to close all deals currently under LOI and those currently in market.

Private Equity Investment & Deal Count⁽¹⁾



Q-2 2021 Healthcare Private Equity Quick Stats⁽¹⁾

Transactions
200+

Overall, healthcare transactions were slightly up in Q2-21 compared to ~190 in Q1-21. Increased competition also swelled 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
80+

Several notable PE exits occurred in Q2-21 including BrightSpring Health Services (PharMerica) acquisition of Adobe Healthcare from Summit Partners for \$775M.

Investors
365+

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

Capital Invested
\$8.1B

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.

Largest Deal
\$975M

The Beauty Health Company, a consumer-focused beauty health company, acquired Vesper Healthcare Acquisition (NASDAQ: VSPR) through a reverse merger, which consisted of \$975M and up to \$75M payable upon the completion of identified acquisitions in the pipeline.

Top Investors by Deal Count

ARSENAL
CAPITAL PARTNERS

SUMMIT PARTNERS

LGP

VARSITY
HEALTHCARE PARTNERS

SHORE
Capital Partners

Webster
Equity Partners

Select Q2-21 Transactions

Month	Acquirer / Investor	Target	Healthcare Vertical	Target Description
April	eResearch Technology (Nordic Capital, Novo Holdings, Ares Capital)	Bioclinica	Pharma Services	Provider of technology-enabled services to contract research organizations ('CROs') and pharmaceutical companies, supporting the development of new medical therapies globally.
April	Partners Group	Wedgewood Pharmacy	Compounding Pharmacy	One of the largest providers of compounded animal medications for acute and chronic conditions in the US and employs over 700 people in New Jersey, California, Colorado, and Arizona.
April	American Securities	SimonMed	Diagnostic Imaging	Provider of diagnostic imaging services intended; operates imaging centers and provides MRI, 64-slice CT, X-ray, ultrasound, digital mammography and bone density scans.
May	KKR	Therapy Brands	EHR	A leading practice management and electronic health record software platform for mental, behavioral, substance use recovery, applied behavior analysis (ABA) and physical rehabilitation healthcare providers
June	MSouth Equity Partners	Summit Spine & Joint Centers	Pain Management	Provider of pain management services using minimally invasive procedures including medications, pain-relieving procedures and rehabilitation.

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, 27 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

145+

Healthcare Deals Closed

70+

Physician Deals Closed Since 2014

27

Investment Banking Professionals

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