
Healthcare Services M&A Review: A Quarterly Update

Provident Healthcare Partners provides an overview of merger and acquisition activity in the healthcare services industry for the third quarter of 2021



Table of Contents

I.	Quarterly Healthcare Market Update	3
II.	Healthcare M&A Deal Stratification	4
III.	Provident Quarterly Update	5
IV.	Healthcare Services Newsletters	
	i. Behavioral Health	7
	ii. Dental Services	8
	iii. Dermatology	9
	iv. Durable Medical Equipment	10
	v. Emergency Medical Services	11
	vi. Healthcare IT	12
	vii. Healthcare Staffing	13
	viii. Home Health & Hospice	14
	ix. Lab & Dx Services	15
	x. Ophthalmology	16
	xi. Pharmaceutical Services	17
	xii. Pharmacy & Infusion Services	18
	xiii. Physician Services	19
	xiv. Private Equity	21
	xv. Rehabilitation	23
V.	Concluding Thoughts	24










Q3 Market Update: Accelerated Pace of Healthcare M&A Activity Shows No Signs of Slowing Down

The 2021 rebound in healthcare services M&A activity continued into the third quarter. Through the efforts of resilient providers and determined management teams, many healthcare services companies are seeing normalized, if not elevated, top and bottom-line financial performance. The uptick in M&A activity can be attributed to a variety of factors, including aggressive vaccine distribution, economic easing, potential increase to capital gains taxes, and pent-up demand for elective provider-based services.

Transaction activity in Q3 2021 was highlighted by private equity firms deploying capital via add-on acquisitions, evidenced by the 148 add-on transactions in the quarter, representing a 2021 high of 39.5% of total M&A volume. Fueled by record levels of dry powder, the transaction activity signals private equity's appetite for platform growth via multiple arbitrage and an overall shift from pandemic fueled portfolio management to a long-term outlook hinged on growth. As the public markets adjust to Federal Reserve activity and elevated volatility levels, alternative investment firms will see large fund inflows from limited partners seeking to diversify their risk. Provident believes the combination of a return to normal economic activity, record high dry powder, and increased demand for private equity will continue to drive investment in private markets, particularly surrounding stable sectors such as healthcare services.

In the coming months, Provident expects deal activity to accelerate, culminating to a record-breaking fourth quarter. In light of the lower than expected proposed capital gains rate increase, the surge of deal closings in the final quarter is not expected to be as high as anticipated earlier this year, which should also result in a more steady Q1 2022. Additionally, Provident has seen that some buyers are motivated enough to increase their final purchase price to net exiting owners even on an after-capital gains tax basis. A final note on the proposed tax plan revolves around extending the holding period for private equity companies to receive a long-term capital gain tax benefit, so while average holding periods may extend, private equity firms will look for add-on investments to maintain high returns after tax.

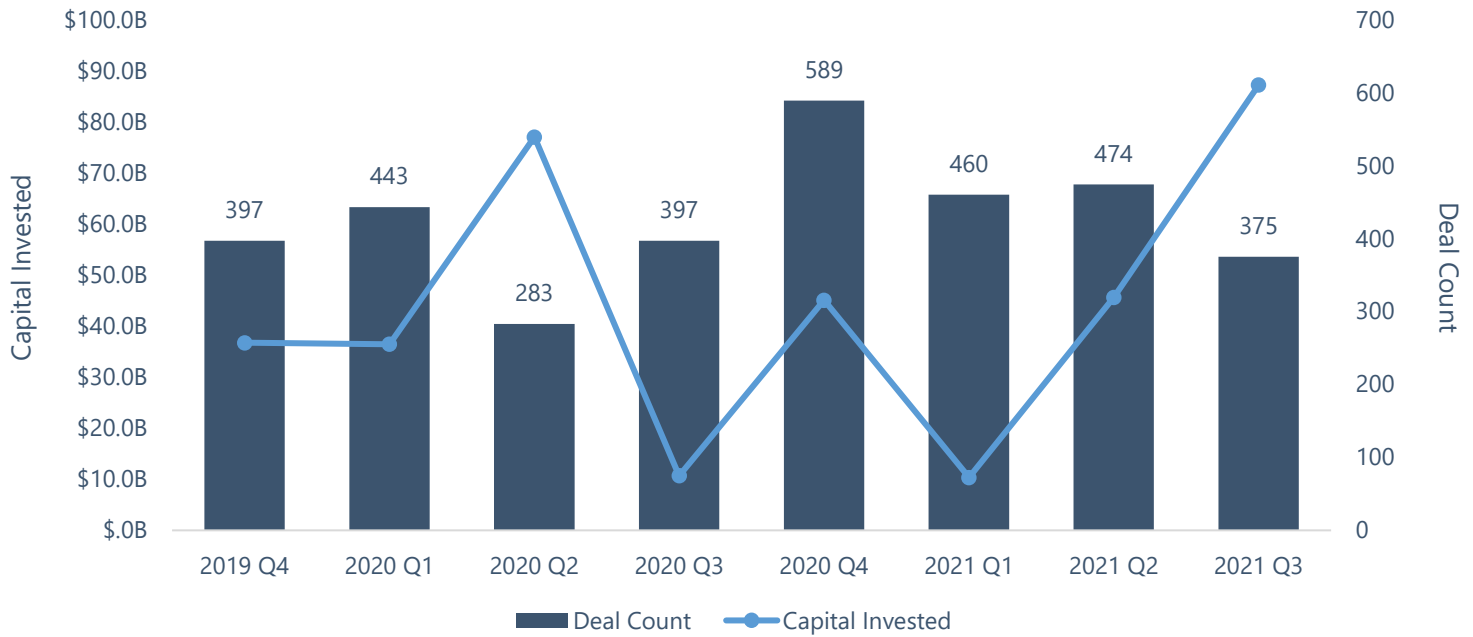
Notable Market Healthcare Deals This Quarter

<p style="text-align: center;">Behavioral Health</p> <div style="text-align: center;">  <p><i>Has been acquired by</i></p>  <p>July 2021</p> </div>	<p style="text-align: center;">Durable Medical Equipment</p> <div style="text-align: center;">  <p><i>Has been acquired by</i></p>  <p><i>A portfolio company of</i></p>  <p>July 2021</p> </div>
<p style="text-align: center;">Healthcare Staffing</p> <div style="text-align: center;">  <p><i>Has been acquired by</i></p>  <p>July 2021</p> </div>	<p style="text-align: center;">Physician Services</p> <div style="text-align: center;">  <p><i>Has been acquired by</i></p>  <p>September 2021</p> </div>

Healthcare M&A Deal Stratification

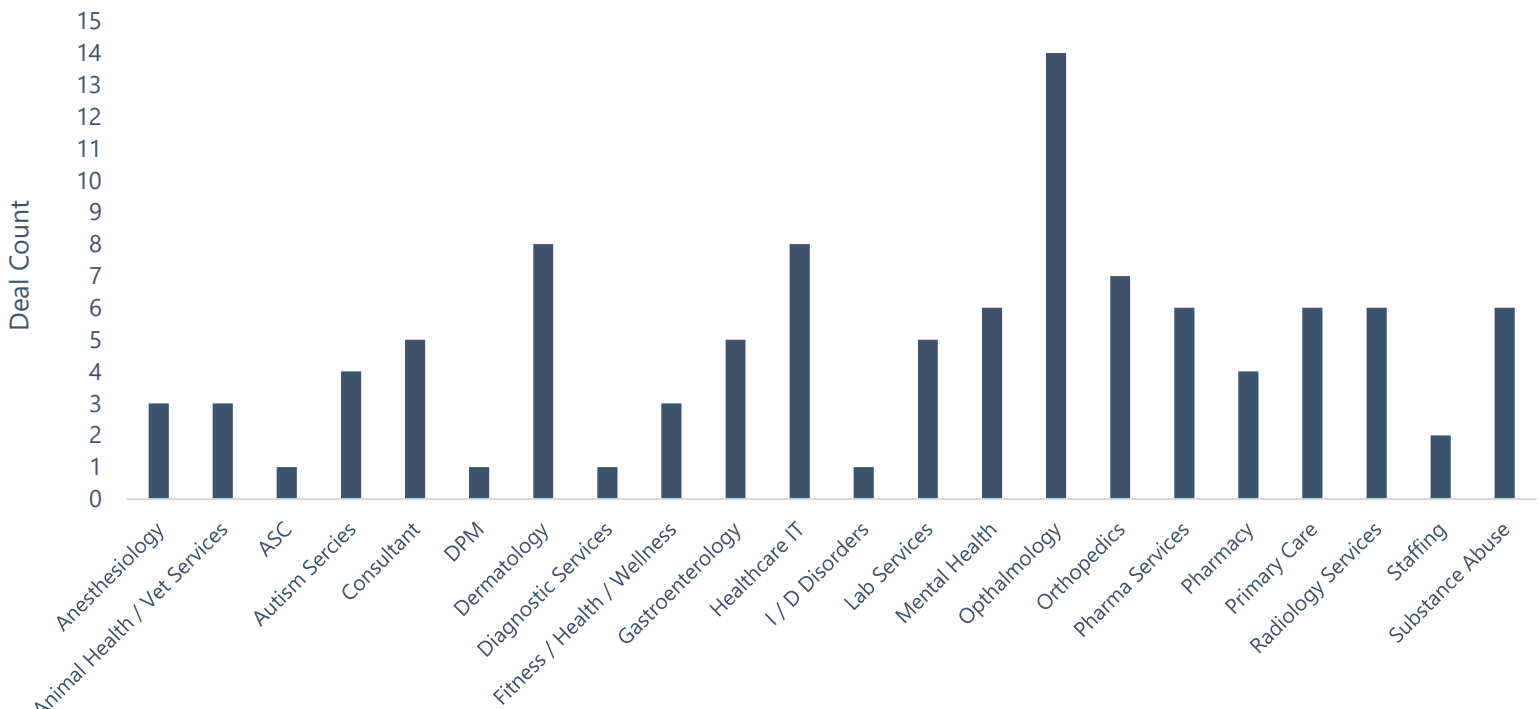
Q3 2021 M&A activity in the healthcare sector continued its accelerated pace after a strong start in the first half of 2021, with almost 180 private equity investments and over 195 strategic acquisitions for a total of 375 transactions this quarter. Ophthalmology lead healthcare services with 14 transactions while the healthcare IT sector remained active with eight transactions. Private Equity investment interest remains strong, demonstrated by a near doubling of invested capital as compared to Q2 2021, marking a new two-year high for capital invested within a quarter.

Healthcare M&A Quarterly Deal Activity (Q4 2019 – Q3 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.

Q3 2021 Healthcare Services Deal Count



In the third quarter of 2021, Provident was the exclusive financial advisor on five announced transactions (noted below), two within Pharmaceutical Services and three within Ophthalmology.

Provident Q3-2021 Transactions



Transaction Date	September 2021	September 2021	August 2021
Buyer	Beacon Oral Specialists	CenExcel Clinical Research	Comprehensive Eyecare Partners
Deal Notes	<p>MOSA is a highly respected and nationally recognized oral surgery group practice, having grown from its first office location in Rockville to one of the largest practices in the United States.</p> <p>This new partnership immediately expands Beacon's presence in the mid-Atlantic with eight new locations in the state of Maryland.</p>	<p>Advanced Memory of New Jersey ("AMRI") is one of the largest providers of Alzheimer's Disease clinical research site in the Northeast; AMRI conducts Phase I, II, and III studies and is growing exposure to Phase IV.</p> <p>The acquisition bolsters CenExcel's offerings in the CNS space as AMRI complements nine other centers in the company's network.</p>	<p>Texan Eye is a leading provider of eye care and specialty eye surgery services to patients in the Greater Austin and Cedar Park region; the firm operates four locations with 17 total providers.</p> <p>The deal allows Comprehensive Eye Partners to enter the Texas market through a well-established company with multiple clinical locations.</p>

Recent News Articles & Awards

- [Kevin Palamara and Jake Vesely Quoted in Hospice News](#)
- [Behavioral Health Whitepaper](#)

Podcast Episode and Webinar

- [DSO Update: Trends and Transactions for General & Specialty Dental Groups](#)
- [Considerations When Selling a Healthcare Organization: How to Prepare and What to Expect](#)

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Provident Q3-2021 Transactions



Transaction Date	August 2021	August 2021	July 2021
Buyer	Unifeye Vision Partners	CenExcel Clinical Research	Covenant Physician Partners
Deal Notes	<p>Pacific Eye is a provider of a suite of specialized and routine eyecare services along the Central Cost of California; the practice has 12 providers operating through six locations.</p> <p>The acquisition of Pacific Eye will expand Unifeye’s presence in the California market; Unifeye Vision Partners currently operates a network of 89 providers and 29 clinical locations.</p>	<p>ForCare Clinical Research is a leading independent dermatology focused clinical research site; the practice conducts Phase I, II, III studies for both chronic and acute conditions.</p> <p>The deal dramatically increases the strength of CenExcel’s ability to support clinical research in dermatology and immunology.</p>	<p>Marietta Eye Clinic (“MEC”) is a vertically integrated multispecialty eyecare platform that provides comprehensive vision care services to patients in the Atlanta metro market.</p> <p>The practice has 32 ophthalmologists and optometrists operating out of ten clinical and one surgery center locations; The deal expands Covenant’s national eye care presence and will provide MEC access to resources to continue its growth.</p>

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Market Update

The behavioral health space continues to see rapid consolidation across many of the subvertical that make up the universe. The sector saw over two dozen publicly announced deals in the Q3, which is in line with where deal flow has trended over the last few quarters. Private equity firms also continue to show interest in the space as roughly a quarter of transactions are characterized as platform investments.

Although the direct impact of COVID-19 has recently waned, indirect effects such as the deteriorating mental health of young individuals have driven demand for behavioral health services. Demand for mental health services and substance abuse treatment has grown 42% and 27% respectively over the past three months.

Provident anticipates deal flow in the space to remain robust as private firms divest their initial platform investments to new firms via secondary buyouts. Provident also expects a general increase in behavioral health IPOs as large players seek to exit investments through the public markets.

Select Transactions

Transaction Spotlight



- Newport, founded in 2008, operates 100+ treatment, outpatient, and residential locations that provide mental health services; the firm actively employs 2,000 professionals serving over 6,000 families across the United States
- The firm was previously acquired by The Carlyle Group in 2017 for an undisclosed sum
- Much of the firm's growth has been organic, however they have made two buy-side acquisitions

Addiction & Medication-Assisted Treatment (MAT)

Month	Acquirer	Target	Location(s)	State(s)
September	Bradford Health Services	Cornerstone of Recovery	23	GA, KY, NC, SC, TN
August	Discovery Behavioral Health	Memorial Hermann Prevention & Recovery	1	TX
July	Baymark Health Services	Mt. Sinai Wellness Center	1	GA
July	BRC Healthcare	Nashville Recovery Center	1	TN
July	Kolmac Outpatient Recovery	Concerted Care Group	3	MD
July	Windrose Recovery	Positive Sobriety	1	IL

Autism Services

Month	Acquirer	Target	Location(s)	State(s)
August	Autism Care Partners	Puddingstone Place	3	MA
August	Ontario Teachers Pension Plan	Acorn Health	54	FL, IL, MD, MI, TN, PA, VA
July	Cerberus Capital Management	Lighthouse Autism Center	24	MI, IN, IL
July	Autism Care Partners	Autism Bridges	4	VT, NH, MA

Mental Health Services

Month	Acquirer	Target	Location(s)	State(s)
September	Pathways	Renew Consulting	4	OR
September	Broadstep Behavioral Health	Coastal Southeastern United Care	8	NC, SC
September	Monte Nido & Affiliates	Walden Behavioral Care	13	MA, CN, GA
September	Patient Square Capital	Summit BHC	26	Nationwide
July	Onex Partners	Newport Academy	100+	Nationwide
July	The Mentor Network	Creative Work Solutions	25	NM

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BH Whitepaper

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

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Market Update

The dental services market remained highly active in Q3-2021, with additional successful investor exits and continued specialty transaction activity. In August 2021, three investor-backed dental platforms completed transactions to new investors – Dental365, DECA Dental, and Affordable Care. All three transactions generated strong returns for the exiting investors and dentist-owners, further substantiating the attractive valuation environment for professionalized, scaled, and growing platforms and investors' interest in the dental services industry.

We expect large DSO transactions to continue in the near-term at similar valuation multiples, which will drive increased interest from investors looking to partner with dentist-led DSOs and participate in the dental services market. In July, HealthEdge Investment Partners acquired Today's Dental Network to form a new DSO platform, and other recently formed platform proved their ability to execute on additional acquisitions.

Provident has also noted an increased focus on specialty care, highlighted by multiple oral surgery, endodontics, orthodontics, prosthodontics, and mobile/onsite transactions, led by both new investors and established DSOs.

Provident Deal Spotlight



Maryland Oral Surgery Associates ("MOSA"), the leading oral surgery provider in Maryland with 15 surgeons and 8 locations, has partnered with Beacon Oral Specialists, a portfolio company of Blue Sea Capital.

Provident advised MOSA's surgeon-owners in their transaction with Beacon, which allowed MOSA to join a growing platform and provided Beacon additional density in the mid-Atlantic. Provident also represented Atlanta OFS in the initial transaction to form the Beacon Oral Specialists platform.

Select Transactions

Month	Acquirer	Target	Locations	Geography
July	HealthEdge Investment Partners	Today's Dental Network	17	Florida
July	Onsite Dental	HENRY	Onsite & Mobile	Eastern US
July	Walter Capital Partners	Clareo Dental Network	10	Canada
July	Redwood Dental	Luma Dentistry	8	Alabama
July	Dental Care Alliance	Red Rocks Endodontics	2	Colorado
July	Apex Dental Partners	Rose Dental Group	4	Texas
August	The Jordan Company	Dental365	70	NY, CT, NJ
August	The Blackstone Group	DECA Dental Group	100	TX, FL, WA
August	Harvest Partners	Affordable Dentures	400	42 States
September	Beacon Oral Specialists	Maryland Oral Surgery Associates	8	Maryland

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Market Update



The dermatology space continues to see consistent transaction volume, characterized by strategic bolt-ons for platforms looking to build density and expand their reach. While new platform formations have been relatively scarce over the last two years, Provident expects larger sponsors to enter the space through investment in several private equity-backed MSOs that are currently out to market. There is another cohort or tier of private equity firms with a thesis in the dermatology sector that is looking to put investment capital to work. Provident expects those sponsors to compete with some of the larger, existing PE-backed platforms for secondary deals that are currently out to market. With at least a handful of private equity firms exploring a sale of their respective dermatology platforms, Provident expects the next two quarters to be particularly active as some of those platforms look to grow via acquisition prior to a sale.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
September	Pinnacle Dermatology	Chappell Rosso Dermatology and Laser & Aesthetic	1	2	TX
September	Laser MD Spa	Luxe Beauty Lounge	1	n/a	MA
August	Epiphany Dermatology	Summit Dermatology	1	1	TX
August	Epiphany Dermatology	Teton Dermatology	4	4	WY
July	Pinnacle Dermatology	Elmhurst Dermatology	1	2	IL
July	Advanced Dermatology	Palmetto Dermatology	1	5	SC
July	Advanced Dermatology	Integrative Dermatology	1	1	NY
July	Advanced Dermatology	Skincare Physicians of Fairfield County	2	2	CT

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Upcoming Publication

Members of the Provident Healthcare Partners team are working on an updated dermatology white paper, which will provide a comprehensive overview of partnership considerations and transaction activity across the segment.

Market Update

The DME sector has continued to exhibit strong M&A volume through the third quarter. Sub-verticals such as diabetic supplies, mobility, and respiratory therapy remain at the forefront of M&A activity in the sector as private equity groups and strategic consolidators look to capitalize on the growth tailwinds in the space and build scale. Particularly, the consolidation landscape for diabetic suppliers remains robust, as groups such as AdaptHealth and Advanced Diabetes Supply are actively seeking opportunities to capture green space in the sector via inorganic acquisitions.

Provident expects M&A momentum within DME to continue throughout the fourth quarter and into 2022 as operators actively pursue opportunities to capture market share.

Notable Transaction



In July 2021, Advanced Diabetes Supply (“ADS”), a portfolio company of Court Square Capital Partners, announced its acquisition of US Medical Supply (“US MED”), a portfolio company of H.I.G. Capital that provides continuous glucose monitors (“CGMs”) and medical supplies. The deal represents a landmark transaction in the CGM space following ADS’ recapitalization by Court Square.

The transaction highlights a continuation of the strong consolidation activity across the sector highlighted by AdaptHealth and other large strategic acquirers. The CGM space is experiencing tailwinds as adoption has risen among diabetics.

Select Transactions:

Month	Acquirer	Target	Deal Description
September	Rehab Medical	Austin Wheelchair Company	Rehab Medical, a national provider of complex rehab technology (“CRT”) and other medical equipment, announced its acquisition of Austin Wheelchair Company. The deal establishes a presence for Rehab Medical in the Austin market to complement its existing footprint in San Antonio. The Company now operates a total of 28 offices nationwide.
September	Rotech	Best Home Medical	Rotech, a national DME provider specializing in ventilators and home oxygen therapy, announced its acquisition of Best Home Medical, a West Virginia-based provider of home medical and respiratory equipment. The acquisition represents the latest in a recent string of completed deals by Rotech including Halo Wound Solutions and Metro-Med as the Company builds scale and deepens its offerings.
August	National Seating & Mobility	Trust Care Home Medical Equipment	National Seating & Mobility (“NSM”), a leading provider of mobility equipment, acquired Trust Care Home Medical Equipment, a Virginia-based provider of complex rehab technology. With the addition of Trust Care’s locations in Richmond and Roanoke, NSM is now positioned as the largest mobility provider in the state of Virginia.
July	AdaptHealth	Healthy Living Supply	Healthy Living Medical Supplies, a Michigan-based diabetes management business, has been acquired by AdaptHealth. The acquisition represents a continuation of AdaptHealth’s aggressive inorganic growth strategy following its Q4 2020 acquisition of AeroCare as it bolsters its product offering across DME sub-verticals.

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Market Update

The Emergency Medical Services (“EMS”) sector investment remained at a similar pace to what occurred in the second quarter of 2021, with the majority of the transactions coming from the urgent care sub-specialty. The urgent care sector remains one of the hottest sectors for consolidation due to the value that it has provided with the COVID-19 pandemic. With the re-emergence of multiple COVID-19 variations, quarter three saw strong interest from health systems and private equity firms in the EMS sector. Carbon Health, a primary and urgent care company, recently expanded its footprint in the Northern California and Arizona regions through two transactions, bringing its total number of clinics to 83 across twelve states nationwide. Larger health systems will continue to pursue M&A efforts in order to increase market share and diversify, while private companies will seek additional capital to expand their regional footprint.

Select Transactions:

Ambulatory Services				
Month	Acquirer	Target	States	Description
September	Metro West Ambulance	Olympic Ambulance	Washington	Metro West Ambulance, an Oregon-based emergency and non-emergency medical care and transport of the sick and injured, has announced that it has acquired Olympic Ambulance. The acquisition helps to expand their geographic footprint in the Northwest.
Emergency Medicine				
Month	Acquirer	Target	States	Description
September	Cardio Partners	Allied 100	n/a	Cardio Partners, a company of Sarnova, Inc. and a national leader in providing emergency preparedness solutions announced that it has acquired Allied 100, LLC, a nationwide distributor of AEDs and related accessories. This transaction represents a “second bite of the apple”.
Urgent Care				
Month	Acquirer	Target	States	Description
August	Carbon Health	Med7 Urgent Care	California	Carbon Health, a primary and urgent care provider based in San Francisco has acquired four clinics in Sacramento, California. The acquisition of Med7 Urgent Care expands Carbon Health’s primary care clinics.
August	Carbon Health	Southern Arizona Urgent Care	Arizona	Carbon Health, a primary and urgent care provider, based in San Francisco has acquired nine clinics in Tucson, Arizona. This acquisition underscores the company’s continued commitment to make high-quality care in the US.

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Market Update

The Healthcare Information Technology (“HCIT”) sector continued to experience elevated levels of M&A activity during the third quarter of 2021. As providers, health plans, and hospitals continue their search for innovative technology to assist in their operations, analytics and business intelligence were one of the most active sub-spaces in the past quarter. Notably, the acquisition of CIOX Health by Datavant marks the fourth time CIOX has changed hands, reflecting the heightened interest of financial sponsors and strategic investors in the sector.

During the last stretch of 2021, we expect the HCIT sector to continue its theme of robust M&A volume, driven by an industry need for better and more reliable data to enhance clinical decision making and ultimately improve patient outcomes.

HCIT Public Comparable Multiples

Select Public Healthcare IT Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV/REV	EV/EBITDA
Allscripts	\$13.40	\$1.42B	\$293.45mm	1.39x	7.15x
Evolut Health	\$32.19	\$973.64mm	\$51.65mm	2.96	55.80x
Teladoc Health	\$124.32	\$1.63B	\$(40.65)mm	12.67x	N/A
Inovalon Holdings	\$40.43	\$718.74mm	\$249.04mm	9.62x	27.77x

As of 10/5/2021

Select Transactions:

Month	Acquirer	Target	Business Segment	Target : Headquarters	Deal Size
September	Azalea Health	DashboardMD	Analytics and Business Intelligence	Miami Lakes, FL	N/A
September	Omniceil	FDS	Analytics and Business Intelligence	Fort Worth, TX	\$177mm
September	MMIT	Panalgo	Analytics and Business Intelligence	Boston, MA	N/A
August	Commure	PatientKeeper	EHR Solutions	Waltham, MA	N/A
July	Clinical Education Alliance	MDoutlook	Analytics and Business Intelligence	Norcross, GA	N/A
July	Datavant	CIOX Health	Information Management	Alpharetta, GA	N/A
July	R1 RCM	VisitPay	Revenue Cycle Management	Boise, ID	\$300mm
July	Waystar Health	Patientco Holdings	Revenue Cycle Management	Atlanta, GA	\$450mm

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Market Update

Previously in Q2, there were several new staffing partnerships, including Gifted Healthcare and MAS Medical Staffing who partnered with Brown Brothers Harriman and Periscope Equity, respectively. Travel nursing is still expected to drive most of healthcare staffing growth through year-end, in addition to per diem, locum tenens, and allied. Growth is estimated at 40%, 15%, 12%, and 10%, respectively, year over year, per Staffing Industry Analysts.

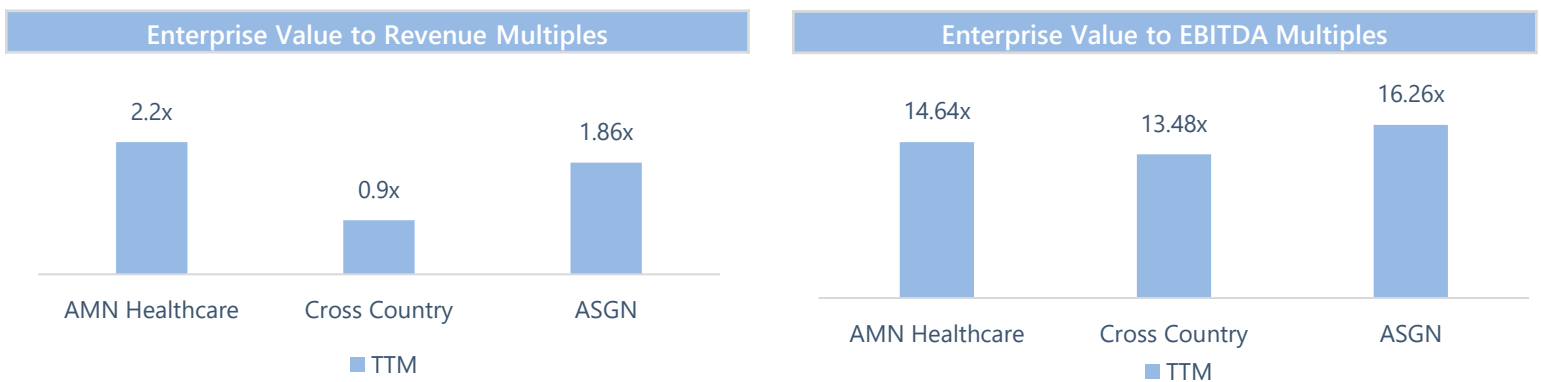
Bill rates appeared to start normalizing, however, the delta variant has prevented further normalization. According to Staffing Industry Analysts, 8% of travel nursing firms experienced increased bill rates relative to the previous three months, and 19% of firms surveyed expect rates to decline over the next six months.

The most notable platform announcement in Q3 included Medical Solutions, who partnered with Centerbridge Partners and CDPQ. Previously under TPG ownership, Medical Solutions primarily focuses on travel nursing and allied staffing. Notable historical add-on acquisitions include PPR Talent Management Group and C&A Industries.

Notable Staffing Transactions in Q3 2021



Industry Multiples



Source: CapIQ, as of October 12, 2021

Select Transactions

Month	Acquirer	Target	Service Lines	Presence
August	Centerbridge & CDPQ	Medical Solutions	Healthcare Staffing	Nationwide
July	Aya Healthcare	Healthcare VMS and MSO division of Vizient	Healthcare Staffing	Nationwide
July	Achieve	Premium Healthcare IT	Healthcare Staffing	Nationwide

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Market Update

M&A activity in the home health, hospice, and personal care market remains at all-time highs in the third quarter of 2021. Not only did we see several transformative transactions, such as the Honor/Home Instead deal and LHC/HCA deal, but we also saw a large uptick in small-scale tuck-in transactions. The interest level from an extensive field of prospective partners has been diverse as ever, causing many investors to go downstream in an attempt to increase their probability of successfully winning the deal in these competitive processes. Furthermore, the disruption in the labor market is hindering providers ability to grow organically due to a lack of caregivers, further increasing the reliance on M&A in order to achieve growth and earnings targets.

Home Health & Hospice Comparable Multiples

Select Public Post Acute Care Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV / Rev	EV / EBITDA
Addus HomeCare	\$86.79	\$813	\$74	1.58x	17.45x
Amedisys, Inc.	\$260.62	\$2,196	\$360	2.20x	13.38x
LHC Group, Inc.	\$215.18	\$2,134	\$303	2.20x	15.53x
National Healthcare Corp	\$77.65	\$964	\$160	0.99x	5.97x

As of 9/30/2021

Revenue / EBITDA in \$000s

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
September	LHC Group, Inc. (NASDAQ: LHCG)	HCA Healthcare and Brookdale Healthcare Service Venture	47	22	LHC Group, Inc. signed a definitive agreement to purchase 23 home health, 11 hospice, and 13 therapy agencies across 22 states from Brookdale Health Care Services from the recently formed venture between HCA Healthcare and Brookdale Senior Living Inc., amounting to approximately \$146 million in revenue
September	LHC Group, Inc. (NASDAQ: LHCG)	Heart of Hospice	20	5	LHC Group, Inc. completed its acquisition of Heart of Hospice from family-owned investment firm Evening Post Industries Group. The transaction is expected to contribute approximately \$92.5 million in annual revenue.
August	Humana Inc. (NYSE: HUM)	Kindred at Home	775	40	Humana Inc. completed its acquisition of Kindred at Home, the nation's largest home health and hospice provider, strengthening its ability to provide high-quality, whole-person healthcare that can improve patient health outcomes on a much broader scale.
August	Honor Technology, Inc.	Home Instead	1,200+	50	Honor Technology, Inc. acquired Home Instead, Inc. bringing together the largest, high-touch home care network and the leading home care technology and operations platform.
July	HCA Healthcare	Brookdale Senior Living's Home Health and Hospice Business	80	22	HCA Healthcare purchased a majority stake in Brookdale Senior Living's home health and hospice business for \$400 million. Brookdale will retain a 20% equity stake in the healthcare services segment.
July	Addus HomeCare Corporation (NASDAQ: ADUS)	Armada Home Health & Hospice	n/a	1	Addus HomeCare Corporation signed a definitive agreement to acquire Armada Home Health and Hospice for a cash purchase price of approximately \$29.0 million. Armada serves an average daily census of approximately 1,100 patients for home health services and 100 patients for hospice care.

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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.

Market Update

The laboratory services and diagnostics sectors have seen aggressive M&A activity in the past year. Both major and mid-sized market players have continued to consolidate at a high level. Following a strong first half of the year, Q3 saw 32 Diagnostic and Laboratory Services deals including Igenomix's \$1.4 billion acquisition of Vitrolife.

With COVID-19 revolutionizing the diagnostics industry, point of care solutions have become a leading trend in the space. The ability to rapidly test for infectious diseases at an individual's home and store results in a secure digitalized environment for convenient access improves both efficiency and efficacy. Recent deals in this space support this trend as CA Healthcare Acquisition Corp, a healthcare focused SPAC, engaged in a reverse merger with Lumira Dx, which provides point of care diagnostic services. Thus, Provident anticipates consolidation in the industry will center around simplifying the diagnostics process through various leading-edge technologies. Additionally, as healthcare SPACs raise over \$15 billion in 2021, the firm anticipates a frenzy of SPAC acquisitions over the course of the next two years in the diagnostics services space.

Select Transactions

Month	Acquirer	Target	Size	Deal Description
September	CA Healthcare Acquisition Corp	LumiraDx	\$3.0 billion	CA Healthcare Acquisition Corp, a publicly traded special purpose acquisition company and LumiraDx Limited have entered a definitive agreement to engage in a reverse merge, which would list LumiraDx on the Nasdaq under the ticker "LMDX". LumiraDx is a next-generation point of care diagnostic testing company that is transforming community-based healthcare.
September	Heska (NAS: HSKA)	Biotech Laboratories USA	n/a	Heska Corporation, a leading provider of advanced veterinary diagnostic and specialty products has announced they have acquired majority ownership of Biotech Laboratories USA. Established in 2016, Biotech Laboratories USA develops a full line of rapid point-of-care tests to detect antibodies associated with infectious and parasitic diseases stemming from animals.
August	Veracyte (NAS: VCYT)	HalioDx	\$317 million	Veracyte, a global genomic diagnostics company improving patient care announced they have acquired HalioDx, solidifying its reach into the global markets while expanding its diagnostic scope into 8 of the 10 top cancers defined by U.S. incidence. HalioDx is a developer of immunological scoring tests utilized to investigate the immunal response to tumor environments.
July	Igenomix	Vitrolife	\$1.4 billion	Vitrolife has announced that they have entered into a definitive agreement to acquire 100% of the shares of Igenomix from EQT and other shareholders. Igenomix, founded in 2011 is a global leader in women's health and reproductive genetic testing services for IVF clinics and operates 26 labs globally.
July	Quest Diagnostics (NYS: DGX)	Nationwide Laboratory Services	n/a	Quest Diagnostics, the nation's leading provider of diagnostic information services announced that it has acquired a set of core assets of Nationwide Laboratory Services (NLS). NLS, located in Boca Raton Florida, has over 25 years of patient centric services experience within the clinical diagnostics space. The acquisition expand Quest's current presence in Florida where it currently has major laboratory facilities and more than 50 patient sites.

Lab and Dx Services Comparable Multiples

Company	Ticker	EV	Revenue	EBITDA	EV/REV	EV/EBITDA
LabCorp	LH	\$31B	\$16.4B	\$5.0B	1.89x	6.15x
Quest Diagnostics	DGX	\$22B	\$11.1B	\$3.3B	1.95x	6.55x
Eurofins	RFSF	\$26B	\$7.6B	\$2.6B	3.46x	10.08x
Hologic	HOLX	\$20B	\$5.7B	\$3.1B	3.60x	6.50x
Exact Sciences	EXAS	\$17B	\$1.7B	-\$158.0M	9.85x	n/a

As of June 30, 2021

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Dx Services Whitepaper

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

Market Update

The ophthalmology sector continues to see robust transaction volume and has shown no signs of slowing down. Consolidators that are in the latter stages of their respective hold periods, many of which are exploring a sale themselves, have been particularly aggressive from an acquisition standpoint. Provident expects the next wave of investment and consolidation activity to be characterized by secondary deals in which private equity firms exit their positions in their respective platforms to larger private equity firms with a thesis in the space or larger PE-backed MSOs that are in the earlier stages of their hold period.

Provident represented three premier practices through transactions in the quarter that resulted in excellent outcomes and like-minded partnerships between organizations. We continue to track developments in the space and expect deal volume to keep pace with prior quarters in 2021 and beyond.



Select Transactions:

* Denotes transactions in which Provident acted as exclusive financial advisor

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
September	Vision Innovation Partners	See Clearly Vision	2	5	VA
September	US Eye	Lake Eye Associates	5	8	FL
September	US Eye	Albemarle Eye Center	6	8	NC
September	US Eye	Sungate Medical Group	4	5	SC
September	US Eye	Griffey Eye Care	2	4	VA
September	Vision Innovation Partners	Northeastern Eye Institute	15	32	PA
September	Retina Consultants of America	Rockland Retina	1	1	NY
September	Vision Innovation Partners	Ophthalmic Associates	1	6	PA
September	EyeSouth Partners	Eye Center of St. Augustine	4	3	FL
September	Sentinel Capital Partners	Midwest Eye Consultants	38	67	IN, OH
August	Unifeye Vision Partners	Eye Care of La Jolla	1	4	CA
August	Unifeye Vision Partners	Pacific Eye Surgeons	7	12	CA
August	Comprehensive EyeCare Partners	Texan Eye	4	17	TX
July	Covenant Physician Partners	Marietta Eye Clinic	10	32	GA

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Upcoming Conference

Members of the Provident Healthcare Partners vision care coverage team will be attending the AAO conference in New Orleans in November.

Market Update

Pharmaceutical services and clinical research have been particularly robust throughout 2021. While this has been the most active M&A year on record for CROs, the clinical research sites space has also observed unprecedented consolidation activity. Provident represented Advanced Memory Research Institute of New Jersey (“AMRI”) as well as ForCare Clinical Research in their acquisitions by Cenexel, a portfolio company of Webster Equity Partners. NMS Capital entered the space via the formation of Flourish and its acquisition of Clinical Trials of Texas. Provident remains highly active in the sites space and expects activity to continue for the next 12-18 months.

Select Transactions:

Month	Acquirer	Target	Target Focus	Deal Description
September	Recro	IRISYS	CDMO	Recro, a Pennsylvania-based CDMO has acquired IRISYS, based out of San Diego. IRISYS, founded by Dr. Gerald Yakatan, specializes in outsourced development and manufacturing support for Asian sponsors.
September	Ardena	Idifarma	CDMO	Ardena acquired the CDMO Idifarma, European CDMO for niche and highly potent generic therapeutics. The acquisition supports Ardena’s integration throughout Europe as it attempts to become a full-service CDMO to European clients.
August	NMS Capital	Clinical Trials of Texas	Clinical Research Sites	NMS Capital created a new sites platform named Flourish with its investment into Clinical Trials of Texas (CTT). CTT is a large single site servicing over 50 indications in 15 therapeutic areas.
August	CenExel	Advanced Memory Research Institute of New Jersey	Clinical Research Sites	Advanced Memory Research Institute of New Jersey (AMRI) was acquired by CenExel. The deal represents the first acquisition of an Alzheimer’s focused clinical research site.
July	CenExel	ForCare Clinical Research	Clinical Research Sites	ForCare Clinical Research, a leading dermatology focused clinical research site was acquired by CenExel, a portfolio company of Webster Equity Partners.
July	EQT and Goldman Sachs Asset Management	Parexel	CRO	EQT and Goldman Sachs are acquiring Parexel for \$8.5 billion. Parexel was formerly owned by Pamplona Capital Management who acquired the company for \$5 billion in 2017.

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Market Update

Pharmacy and infusion consolidation continued at a steady pace in the third quarter of 2021 across most of the pharmacy continuum. Independent retail pharmacies continue to exit to their big-box rivals, who are also evolving their business models around patient experience and outcomes. BioMatrix continues to establish itself as the largest remaining privately-held pharmacy in the country with its acquisition of InfuCare LTD in Texas. In the infusion and compounding arena, Wellspring Capital invested into Pentec Health, which will create another platform in the compounding infusion space; piggybacking on recent rebounds in compounding M&A we have observed this year. Provident expects steady activity like this to proceed throughout the rest of the year.

Select Transactions:

Month	Acquirer	Target	Pharmacy Sub-Sector	Deal Significance
September	Walgreens	Shields Health Solutions	Health System Specialty Pharmacy	Walgreens has acquired a majority interest in Shields Health Solutions through an investment of nearly \$1 billion in growth capital. Shields, who is also backed by Welsh, Carson, Anderson & Stowe, helps launch and manage pharmacy programs for small and mid-sized health and hospital systems.
September	Walgreens	Bi-Mart	Retail Pharmacy	Bi-Mart, a 50+ store pharmacy chain in Oregon, will be acquired by Walgreens. The patient files of Bi-Mart, which are becoming the primary piece of retail pharmacy M&A, will be fully transferred to Walgreens. The owners of Bi-Mart plan to exit the business fully.
September	Wellspring Capital Management	Pentec Health	Specialty Infusion & Compounding	Pentec Health, a national leader in sterile compounding services and developer of a patented renal therapy, has partnered with Wellspring Capital Management, a New York-based private equity firm. Pentec has solidified its position as a leader in pain management since its formation 40 years ago.
July	BioMatrix	InfuCare LTD	Specialty Infusion	InfuCare LTD, a Texas-based infusion pharmacy specializing in IVIG, anti-infectives, parenteral nutrition, and other complex chronic conditions, has been acquired by BioMatrix. BioMatrix has become one of the largest privately-owned specialty pharmacies in the U.S.

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Upcoming Conference



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

Market Update

As predicted in our Q2 newsletter, the physician services vertical has been extremely active to start off the second half of 2021. There have been a variety of platform and add-on transactions, as well as secondary recapitalizations, across the continuum of physician services subverticals. Given the potential 2021 tax changes and widespread investor interest, Provident expects the fourth quarter of 2021 to continue this trend through the remainder of the year.

Notable Transaction



Ob Hospitalist Group, one of the largest women's health providers in the U.S., was recently acquired by Kohlberg and Company through an LBO for an undisclosed amount. The firm was previously recapitalized by Gryphon Investors in 2017 and has grown to operate in 34 states, accounting for 484,951 patient encounters in the last year.

Select Transactions:

Anesthesia					
Month	Acquirer	Target	Physicians	Target – Number of: Locations	States
September	National Partners in Healthcare	Southwest Anesthesia Partners	14	4	1
September	National Partners in Healthcare	Copper Canyon Anesthesia	n/a	1	1
August	Well's CRH Medical	Greater Washington Anesthesia	n/a	1	1

Gastroenterology					
Month	Acquirer	Target	Physicians	Target – Number of: Locations	States
September	Gastro Health	Mid Florida Gastroenterology	1	1	1
September	Capital Digestive Care	Gastrointestinal & Liver Specialists of Tidewater	11	3	1
August	Gastro Health	The Gastroenterology Group	7	1	1
August	GI Alliance	South Suburban Gastroenterology	5	1	1
July	Genesis Health Group	Gastroenterology Associates	2	1	1

Orthopedics					
Month	Acquirer	Target	Physicians	Target – Number of: Locations	States
September	Vail Summit Orthopedics & Neurosurgery	Alpine Orthopedics & Sports Medicine	5	1	1
August	TriHealth ⁽¹⁾	Beacon Orthopedics & Sports Medicine ⁽¹⁾	62	23	1
August	University of Kansas Health	Central Kansas Orthopedic Group	5	1	1
July	Orthopedic Care Partners	Tucson Orthopedic Institute	34	8	1
July	Sarah Bush Lincoln	Southern Illinois Hand Center	4	6	1
July	US Orthopedic Partners	Orthopedic Institute of North Mississippi	8	2	1
July	Tahoe Fracture & Orthopedic Medical Clinic	Spine Nevada	9	4	1

⁽¹⁾ Represents a Joint Venture

Select Transactions:

Women's Health / OBGYN					
Month	Acquirer	Target	Physicians	Target – Number of: Locations	States
September	Kohlberg & Company	Ob Hospitalist Group	1,100+	195+	34
September	Women's Health Arizona	Valley Women for Women	18	5	1
August	Webster Equity Partners	RGI (Reproductive Gynecology & Infertility)	5	5	1
August	Unified Women's Healthcare	Women's Health USA	300+	100+	7
July	Arizona OBGYN Associates	West Valley Women's Care	6	1	1
July	Boston IVF	Reproductive Care Center	3	5	3

Radiology					
Month	Acquirer	Target	Physicians	Target – Number of: Locations	States
September	Medical Park Imaging	Princeton Radiology	60+	13	1
September	Akumin	Alliance Healthcare Services	n/a	4	Nationwide
August	Radiology Partners	Undisclosed Imaging Groups	n/a	n/a	n/a
July	Rayus Radiology	Foundation Radiology Group	90+	30+	10
July	Rayus Radiology	Radiology Research Institute	1	1	1
July	Rayus Radiology	Sand Lake Imaging	4	3	1

Ear, Nose & Throat (ENT)					
Month	Acquirer	Target	Physicians	Target – Number of: Locations	States
September	Aspire Allergy & Sinus	Allergy Associates and Asthma	2	3	1
September	Family Allergy & Asthma	Allergy & Asthma of Southern California	4	2	1
September	Family Allergy & Asthma	Allergy & Asthma Consultants	2	2	1
September	Beekman Group	Allergy & ENT Associates	23	16	1

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Recent Webinar:



Provident recently hosted a panel discussion on *DSO Update: Trends and Transactions for General & Specialty Dental Groups*.
[Click here](#) to view the discussion.

Commentary

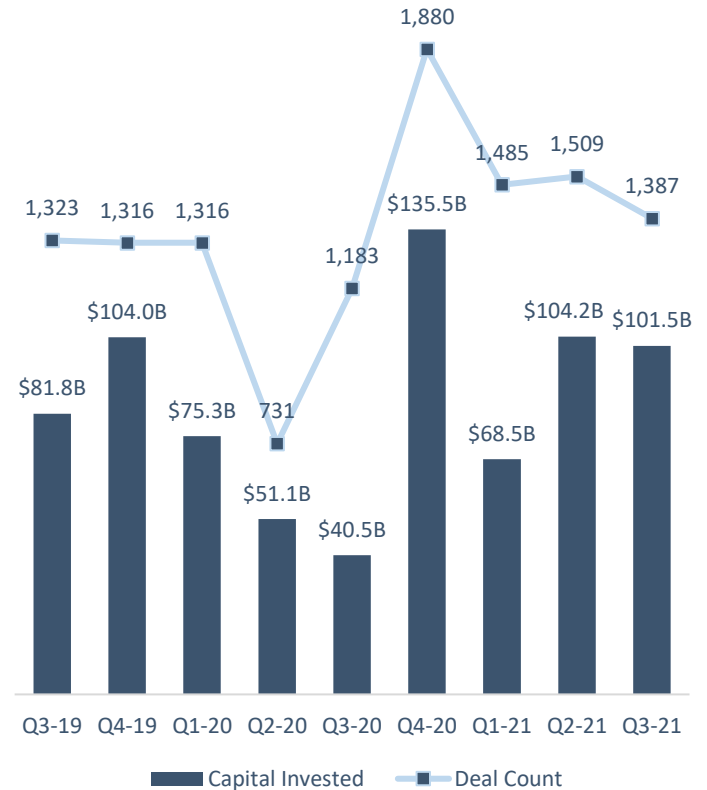
PE dealmaking continues its strong momentum through Q3-2021. Overall, PE investors are bullish across the board, especially within healthcare services, as firms take advantage of markets awash with liquidity and look for defensible assets.

PE is on a record-setting pace for 2021 with several mega-deals and middle-market transactions surging due to the economic recovery, abundance of dry powder, and threats of an increase in long-term capital gains tax in 2022. Dry-powder reserves, which is estimated to be north of \$1.5 trillion⁽¹⁾, were a driving force behind capital invested as PE groups made additional platform and add-on investments.

The threat to a capital gains hike, 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"), has also driven several PE exits. For context, PE exits are on an astounding run, with YTD exit value more than 50% higher than the next-highest annual figure. Total enterprise value of exits through the end of Q3 2022 is \$600B+. Full realizations, partial sales, and recapitalizations (both at the portfolio company and fund level) are also driving distributions higher.

PE and M&A activity is expected to remain strong throughout the last quarter of 2021. Provident projects that fewer deals will launch in Q4 2021 as most investors and bankers will look to close all deals currently under LOI and in confirmatory due diligence. Service providers (e.g. QoE firms) and lawyers also have limited bandwidth, making Q4 2021 a difficult time to launch new transactions.

Private Equity Investment & Deal Count⁽¹⁾



Q3-2021 Healthcare Private Equity Quick Stats⁽¹⁾

Transactions
200+

Overall, healthcare transaction volume remained relatively stagnant in Q3 2021 hovering around ~200 transactions. Competition continues to push valuations upwards, making it more difficult for PE to compete against strategic acquirers who can immediately benefit from revenue and / or cost synergies.

PE Exits
90+

Several notable PE exits occurred in Q3 2021, including Halifax Group's exit of PromptCare to Waud Capital for \$400M and Regal Healthcare Partners' exit of Dental365 to The Jordan Company through an LBO rumored to have traded for 14.1x.

Investors
270+

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

Capital Invested
\$10.1B

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
\$1.1B

Greenphire, a provider of global financial lifecycle management solutions for clinical trials, sponsors, CROs and sites, was acquired by Thoma Bravo through a \$1.1B LBO in July 2021.

Top Investors by Deal Count



Sources:
1. PitchBook Data as of 10/8/2021.

Select Q3-2021 Transactions

Month	Acquirer / Investor	Target	Healthcare Vertical	Target Description
September	Waud Capital	PromptCare	Home Infusion and Respiratory Services	PromptCare's respiratory segment provides mainly invasive and non-invasive ventilator services to the adult and pediatric population and its infusion segment focuses on providing high quality care to patients with chronic conditions.
August	CenExel Clinical Research / Webster Equity Partners	Advanced Memory Research Institute (AMRI) & ForCare Clinical Research	Clinical Research Sites	AMRI is an Alzheimer's focused clinical research site based out of New Jersey. ForCare Clinical is a Tampa-based research site focused on dermatology, rheumatology, and neurology clinical trials.
August	The Jordan Company	Dental365	Dental Service Organization	Dental365 is a full-service dental practice offering general dentistry and specialty services with locations throughout New York, Connecticut, and New Jersey.
August	Ontario Teachers' Pension Plan	Acorn Health	Behavioral Health	A national provider of applied behavior analysis (ABA) therapy for children diagnosed with autism spectrum disorder with locations in Michigan, Illinois, Virginia, Florida, Maryland, Pennsylvania, and Tennessee.
July	Thoma Bravo	Greenphire	Pharmaceutical Services	Leading provider of global financial lifecycle management solutions for clinical trials, sponsors, clinical research organizations, and research sites in more than 70 countries.

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, 26 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

155+

Healthcare Deals Closed

70+

Physician Deals Closed Since 2014

26

Investment Banking Professionals

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Market Update

Investment activity within the physical therapy sector remains robust with heightened valuations and buyer interest driving companies of all sizes to explore transaction opportunities. This quarter saw several exits of large private-equity backed groups, including PRN's acquisition of 360 Physical Therapy and Upstream Rehabilitation's acquisition of Results Physiotherapy. Furthermore, it is rumored that Lindsay Goldberg's PT Solutions, Waud Capital Partners' Ivy Rehab, and PennantPark's Pivot Health Solutions are all preparing for a sale process this year.

Despite CMS implementing a potential 15 percent reduction in reimbursement for services provided by physical therapists and occupational therapists starting in January 2022, private equity firms clearly remain bullish on the sector driven by the strong demographic trends and outstanding consolidation opportunity.

Provident expects M&A activity in the rehabilitation sector to continue at a strong pace throughout the remainder of 2021 and into 2022.

Select Transactions:

Month	Acquirer	Target	Target – Number of: Locations	States	Deal Significance
September	Physical Rehabilitation Network	360 Physical Therapy	19	Arizona, Oklahoma	PRN, backed by Gryphon Investors, expanded its geographic footprint in the western US through the acquisition of 360 Physical Therapy, formally backed by Celerity Partners, Fletch Equity, and Gemini Investors.
September	Athletico Physical Therapy	Endurance Physical Therapy	8	Mississippi	Athletico Physical Therapy acquired Endurance Physical Therapy marking its first entry into Mississippi and expanding its geographic footprint to 13 states.
September	Ivy Rehab Network	Excel Physical Therapy	36	Pennsylvania	Ivy Rehab Network has acquired Philadelphia-based Excel Physical Therapy expanding its clinic count to over 300 locations nationwide.
August	Upstream Rehabilitation	Results Physiotherapy	200	9 States	Upstream Rehabilitation, backed by Revelstoke Capital Partners, acquired Sterling Partners-backed Results Physiotherapy, becoming the largest pure-play outpatient physical therapy provider in the U.S.
July	Golden Bear Therapy Partners	Greater Therapy Centers	27	Texas	Golden Bear Therapy Partners, backed by Shore Capital Partners, acquired Texas-based Greater Therapy Centers to expand its presence into the Dallas/Fort Worth region.

USPH vs. Other Healthcare Facility Operators

Company	Ticker	EV/Revenue (TTM)	EV/EBITDA (TTM)
US Physical Therapy	USPH	3.25x	16.49x
Acadia Healthcare	ACHC	3.10x	15.72x
Encompass Health	EHC	2.15x	10.02x
HCA	HCA	1.98x	9.7x

As of 10/8/2021

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Concluding Thoughts

Healthcare services M&A activity in Q3 2021 continued its trend as seen in the first half of 2021. Year-to-date activity shows over 1,300 closed transactions representing more than \$140 billion in invested capital. Healthcare providers and other healthcare service companies continue to consolidate. Evolving regulation, new technology, and struggling labor markets will continue to drive change in the healthcare services industry.

During the spring of 2021, the industry saw an aggressive rebound in deal volume and capital investment. Q3 2021 deal volumes remain high and capital investment reaches a new multi-year peak, signaling the strategic and financial interest in acquisitions will outweigh the base case scenario for Washington's proposed tax changes.

Ophthalmology, along with healthcare IT, saw the highest level of quarterly deal activity among healthcare sectors. The reopening of the country has been a major contributor to rising interest in ophthalmology. Concerns about data security, interoperability, and shifting healthcare strategies have been catalysts behind the growth and investment in healthcare IT.

Provident expects deal activity to remain high through Q4 2021. Many trends in healthcare services accelerated by COVID, such as the use of telehealth and a shift to value-based reimbursement, have demonstrated staying power and will continue to be critical factors in the current healthcare environment. With a unique set of tailwinds, Q4 2021 is primed to be a record setting quarter to end a busy year.



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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