
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 fourth quarter of 2021



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Q4-21 Market Update: Healthcare M&A Activity Remains Strong to Close Out 2021



Healthcare services M&A activity rebounded in 2021 as investors continue to look to take advantage of the tailwinds in the healthcare space despite challenges presented by the pandemic. Providers and management teams that navigated barriers to providing services during the pandemic, or even capitalized on circumstances, continue to reach pre-pandemic or elevated financial levels. A variety of factors contributed to the uptick in M&A activity, including pandemic infrastructure improvements, government assisted coverage, threats of an increase in long-term capital gains taxes, and pent-up demand for elective provider-based services.

Transaction activity in Q4 2021 saw a 31% increase in deal volume from the previous quarter, supported by a heightened appetite from private equity investors, representing 65% of total M&A volume (186 add-on acquisitions, 89 platforms created, and 26 secondary buyouts). Healthcare services continues to benefit from private equity groups looking to deploy record levels of dry-powder in a sector primed for platform growth. The provider services space is also trending into the next phase of the private equity investment cycle as an increasing number of secondary buyouts take place, in areas such as ophthalmology and specialty dental services. As investors prepare for elevated volatility levels in the public markets and the Federal Reserve works to quell inflation, alternative investment firms are expected to see large fund inflows from limited partners seeking to diversify their risk into high growth, privately held businesses. Provident believes the combination of public market volatility, record levels of dry-powder, and increased demand for private equity will continue to drive investment in private markets, particularly surrounding more defensible sectors such as healthcare services.

Despite the emergence of the Omicron variant, the last quarter resulted in record deal activity for the year, likely assisted by the threat of capital gains tax increase accelerating year-end closings. While Provident does not expect M&A volume to rise as drastically as it did from Q3 to Q4 2021, we expect transaction activity to remain steady entering 2022. Private equity's acquisitive behavior does not show any sign of slowing in the near-term, though it is important to note that dynamics between predicted hikes in interest rates coupled with subsiding Omicron fears creates complicated factors at play in US markets.

Notable Market Healthcare Deals This Quarter

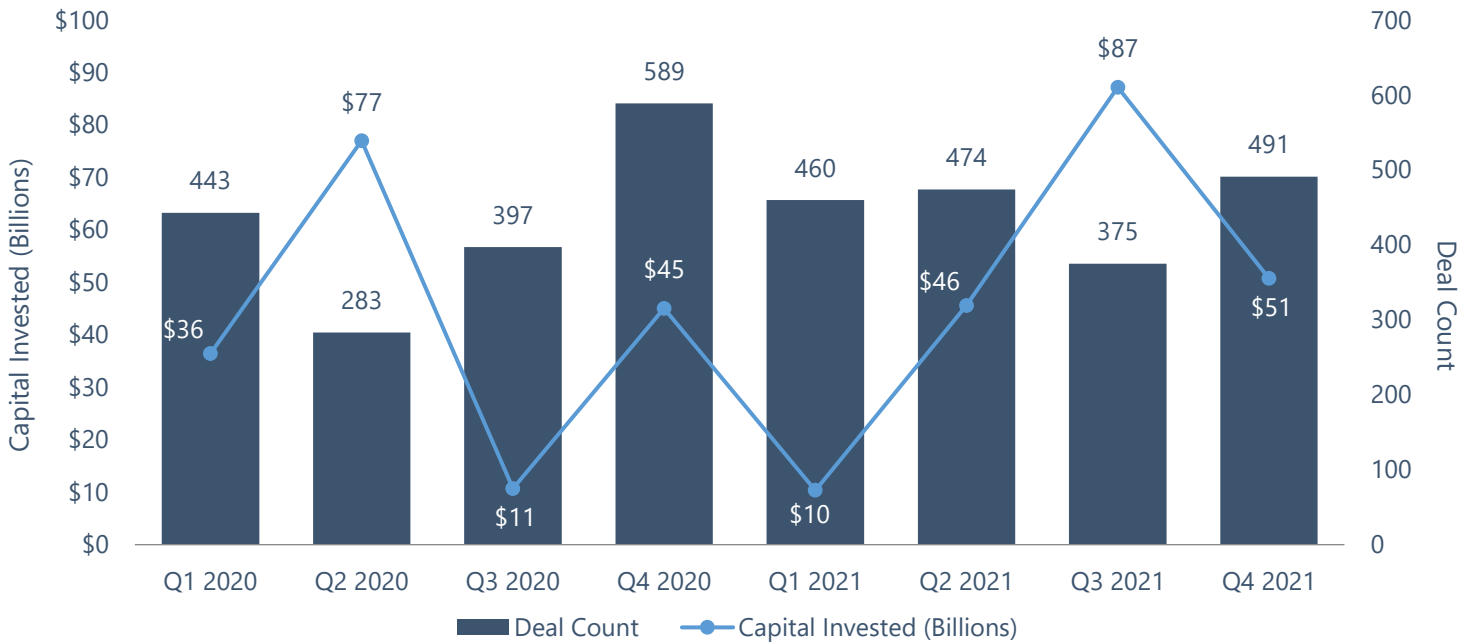
<p>Specialty Dental Services</p> <div style="border: 1px solid black; padding: 10px; text-align: center;">  <p><i>Has been acquired by</i></p>  <p>November 2021</p> </div>	<p>Durable Medical Equipment</p> <div style="border: 1px solid black; padding: 10px; text-align: center;">  <p><i>Has been acquired by</i></p>  <p>October 2021</p> </div>	<p>Healthcare Staffing</p> <div style="border: 1px solid black; padding: 10px; text-align: center;">  <p><i>Has been acquired by</i></p> <div style="background-color: #002060; color: white; padding: 2px 10px; display: inline-block;">LITTLEJOHN & CO.</div> <p>November 2021</p> </div>
<p>Mental Health & Addiction Treatment</p> <div style="border: 1px solid black; padding: 10px; text-align: center;">  <p><i>Has been acquired by</i></p>  <p>October 2021</p> </div>	<p>Pediatric Services</p> <div style="border: 1px solid black; padding: 10px; text-align: center;">  <p><i>Has been acquired by</i></p>  <p>October 2021</p> </div>	<p>Primary Care</p> <div style="border: 1px solid black; padding: 10px; text-align: center;">  <p><i>Has been acquired by</i></p>  <p>October 2021</p> </div>

Note: Transactions above are not Provident advised transactions

Healthcare M&A Deal Stratification

Q4 2021 M&A activity in the healthcare sector accelerated from the first two quarters of 2021 and drastically from Q3, with 301 private equity investments and 190 strategic acquisitions, for a total of 491 transactions. Home Health & Hospice lead healthcare services with 43 transactions while the dental services sector remained active with 37 transactions. Private equity investment interest remains strong, demonstrated by elevated levels of transaction volume for the year, along with a moderate rise from normal levels of invested capital in the first half of 2021.

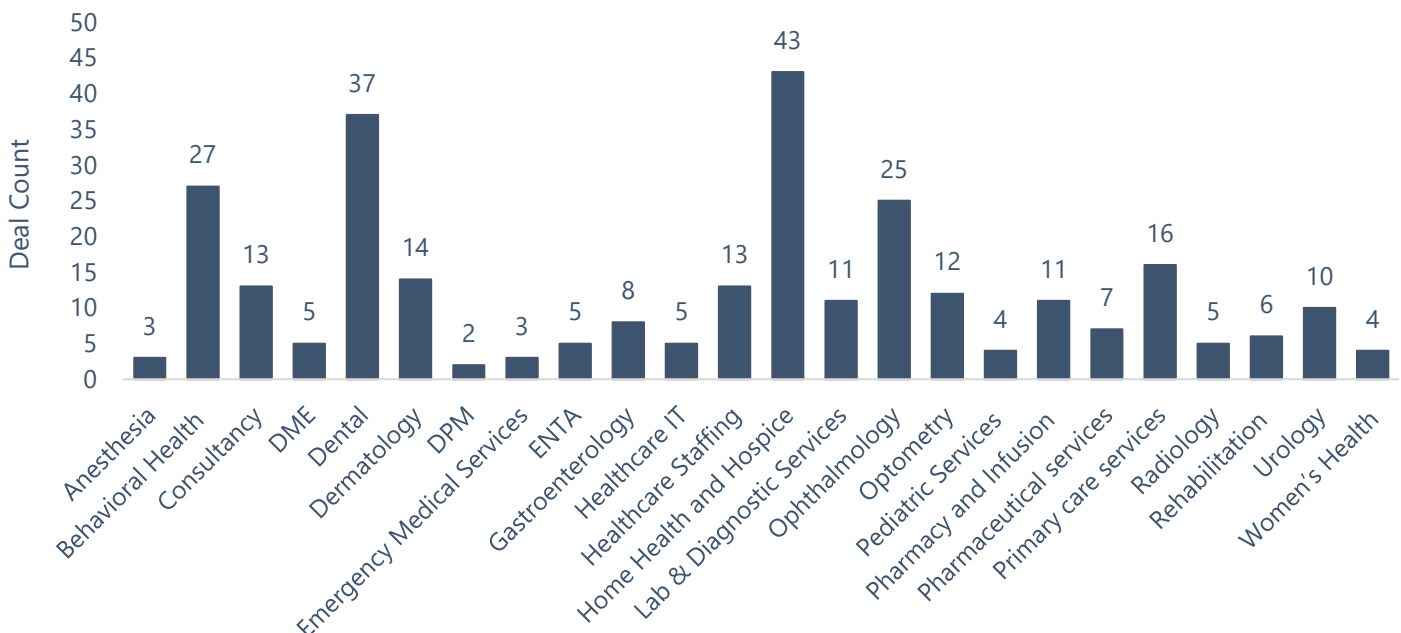
Healthcare M&A Quarterly Deal Activity (Q1 2020 – Q4 2021)



Source: PitchBook, as of 1/19/2021

Note: Healthcare M&A Quarterly Deal Activity chart includes healthcare sectors outside of healthcare services

Q4 2021 Healthcare Services Deal Count



Source: PitchBook

Note: Healthcare Services Deal Count chart does not include transactions in biotechnology and medical supplies sectors

Q4-2021 Provident Quarterly Update



In the fourth quarter of 2021, Provident was the exclusive financial advisor on three announced transactions (noted below) within ophthalmology, multi-specialty, and ambulatory services.

Provident Q4-2021 Transactions



Transaction Date	November 2021	November 2021	October 2021
Buyer	EyeSouth Partners	Universal Health Services	Metro West Ambulance
Deal Notes	<p>Scott & Christie Eyecare Associates is a multi-specialty eyecare platform providing care to patients in Western Pennsylvania, providing care across two clinics, an ASC, and a robust clinical research division.</p> <p>The acquisition will expand EyeSouth Partner's presence to Pennsylvania. EyeSouth Partners currently manages 29 affiliated practices from the Midwest to the East Coast.</p>	<p>Riverside Medical Clinic is a provider of multi-specialty physician services with seven offices in Southern California supported by over 180 physicians and mid-level providers.</p> <p>The transaction involved 100 equal shareholders, allowing for the large shareholder base to pursue a partial liquidity event with a partner that will help expand their practice in the region.</p>	<p>Olympic Ambulance is a leading provider of ground ambulance services in Western Washington serving three counties in the state. The company operated a fleet of over 45 vehicles at the time of the transaction.</p> <p>The partnership with OR-based Metro West Ambulance provides a highly complementary fit as the combined organization looks to expand across the Pacific Northwest</p>

Recent News Articles & Awards

- [Provident Perspectives: 2021 Year in Review](#)
- [An Update on Investment and Consolidation in Autism Services](#)

Podcast Episode and Webinar

- [Women's Health Update: Key Transaction Considerations in Women's Health](#)
- [Considerations When Selling a Healthcare Organization: How to Prepare and What to Expect](#)

Market Update

In Q4 2021, two transactions occurred in the autism services space, marking a slight decrease relative to the prior quarter. Despite the decrease in volume, autism services continues to be one of the most active areas for investment within the healthcare services universe, so much so, that as of Q4 2021, 50+ private equity firms currently hold or previously held a majority stake in an autism services platform.⁽¹⁾

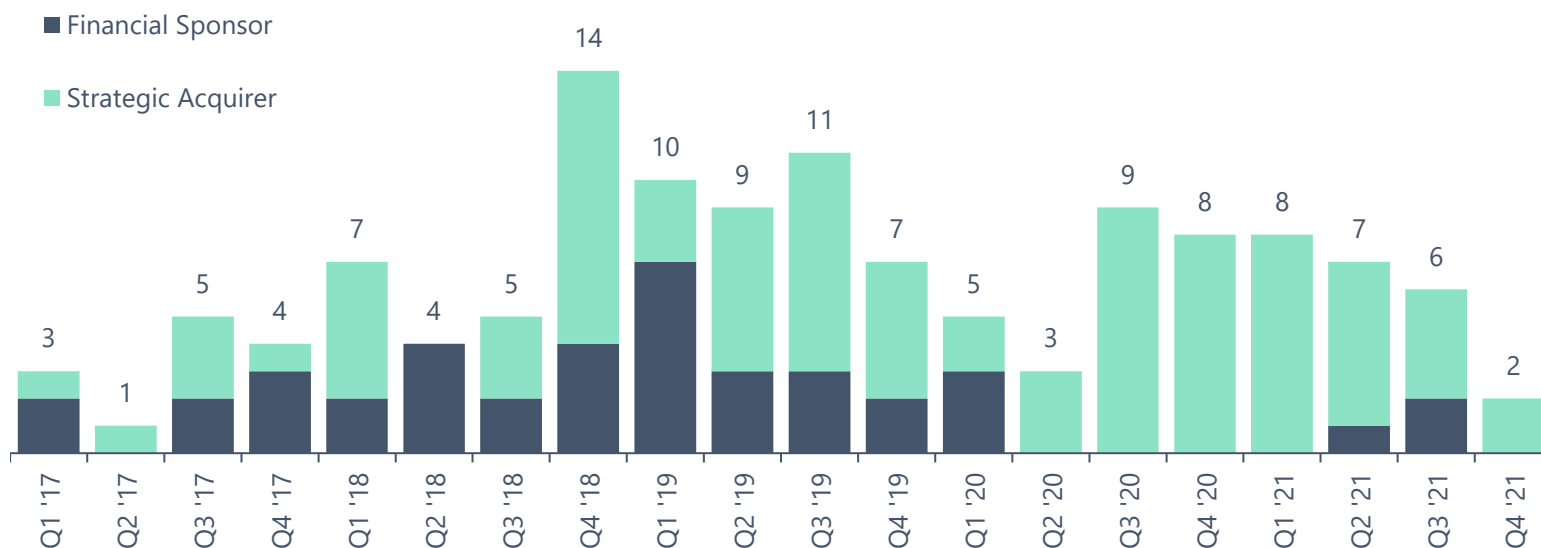
The predominant thesis in the autism services space continues to be centered around outsized demand for services, driven by increased incidence levels, expanded coverage, and heightened awareness, coupled with a lack of providers in the space, making for an attractive investment opportunity.

Provident anticipates deal flow in the space to remain robust as private equity-backed groups continue to compete with one another for acquisitions. Looking ahead to 2022, Provident expects to see a combination of larger private equity-backed platforms acquiring groups backed by smaller funds, private equity firms exiting their initial platform investments to other private equity firms, and companies with tangential service lines acquiring ABA therapy providers to build integrative care models.

Select Transactions⁽¹⁾

Date	Acquirer	Target	Financial Sponsor
Nov-21	Center for Social Dynamics	South Sound Behavior Therapy	New MainStream Capital
Nov-21	H2 Health	Great Strides Rehabilitation	Grant Avenue Capital

Timeline of Transaction Volume in Autism Services⁽¹⁾



⁽¹⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions; includes platform investments that did not initially offer ABA Therapy, but do so currently

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White Paper

[An Update on Investment & Consolidation in Autism Services](#)

Q4-2021 Dental Services Update



Market Update

In Q4-2021, Provident observed continued, significant transaction activity in the dental practice and DSO markets. Transaction volume and demand for new partnerships has remained high across all transaction types, including new platform formations, add-on acquisitions, and investor-owned DSO exits.

Continuing with Q2 and Q3-2021 trends, multiple private-equity owned DSOs closed transactions in the last quarter of the year. Examples of these transactions include two notable specialty dentistry platforms, U.S. Oral Surgery Management (acquired by Oak Hill Capital Partners) and Smile Doctors (acquired by TH Lee Partners). Other investor-backed platforms continued to invest in rapid M&A expansion, such as Community Dental Partners (backed by Boathouse Capital) which partnered with 3C Dental Group, more than doubling its clinic footprint. With the current investor sentiment and level of investment, Provident expects multiple investor-backed DSOs to transact in Q1 and Q2-2022, alongside continued investment in strategic add-on acquisitions.

As investors exit their DSO investments and generate successful return case studies, Provident expects interest in new platform transactions to continue as well.

Significant Transactions

<p>3C Dental Group CARE COMFORT CONVENIENCE</p> <p>Has been acquired by</p> <p>COMMUNITY DENTAL PARTNERS</p> <p>A portfolio company of</p> <p>Boathouse</p>	<p>U.S. Oral Surgery Management</p> <p>Has been acquired by</p> <p>OAK HILL CAPITAL PARTNERS</p>
<p>BEACON DENTAL HEALTH</p> <p>Has been acquired by</p> <p>Dental365</p> <p>A portfolio company of</p> <p>THE JORDAN COMPANY</p>	<p>Smile Doctors Orthodontics</p> <p>Has been acquired by</p> <p>TH PARTNERS</p>

Select Transactions

Month	Target	Investor(s)	Locations	Geography
October	3C Dental Group	Community Dental Partners	20	Texas
October	Britely Dentures + Implants	Vista Verde Group	4	Southwest, Midwest
October	Pure Health Dental	Great Expressions Dental Centers	6	Ohio
October	Swish Dental	Mereo Capital Partners	12	Texas
November	Modern Dental Care	Dental Care Alliance	14	Wisconsin
November	U.S. Oral Surgery Management	Oak Hill Capital	50+	National
December	Beacon Dental Health	Dental365	14	Massachusetts
December	GPS Dental	Main Post Partners	23	Southeast, Midwest
December	LWSS Family Dentistry	Heartland Dental	6	Virginia
December	Smile Doctors	Thomas H. Lee Partners	290	National

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Market Update



While transaction activity has slowed meaningfully from pre-pandemic levels, the dermatology space still continues to see consistent deal flow, predominantly characterized by strategic add-on transactions or regional platform additions. The landmark transaction of the quarter was BayPine’s acquisition of Pinnacle Dermatology from its previous backer, Chicago Pacific Founders. The transaction marked the first private equity platform deal of the year and the tenth secondary deal, in which a private equity firm divested its position to a larger private equity fund, a tell tale sign of a maturing M&A market. Provident expects this theme to continue to play out in 2022 as at least a handful of PE-backed platforms are currently exploring sale options. With many groups gearing up for an exit, Provident foresees a scenario where add-on activity could pick up to pre-pandemic levels.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
December	PhyNet Dermatology	SkinPros, LLC	4	4	MA, RI
December	Advanced Dermatology & Cosmetic Surgery	Greenville Dermatology	1	1	SC
November	Advanced Dermatology & Cosmetic Surgery	SkinTrust Dermatology	1	1	SC
October	BayPine	Pinnacle Dermatology Management	87	218	11
October	Schweiger Dermatology	The Derm Group	13	40	NJ
October	West Dermatology	Dermatology & Laser of Del Mar	1	5	CA
October	Schweiger Dermatology	Warmouth Institute of Dermatology	2	3	NJ
October	Epiphany Dermatology	Avail Dermatology	4	15	GA

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Upcoming Conference

Members of the Provident Healthcare Partners dermatology coverage team will be attending the AAD conference in Boston in March.

Market Update

The fourth quarter of 2021 wrapped a strong year of M&A activity across the DME space as several private equity investors initiated new platform investments and strategic acquirers continued to display an appetite for inorganic expansion. As concerns over the negative impacts of the potential re-introduction of competitive bidding continue to subside, the most active investors in the space are poised to continue growing through M&A to expand product offerings, reach new regional markets, and benefit from cost and revenue synergies.

Provident expects M&A momentum within DME to continue into 2022 as acquirers seek opportunities to capitalize on the fragmented marketplace and promising opportunity to gain scale through inorganic expansion.

Notable Transaction



Apria Healthcare, a leading national provider of home healthcare equipment and related services, was acquired by Byram Healthcare, a subsidiary of Owens & Minor after being acquired in 2017. The transaction comes on the heels of Apria's IPO in February 2021 and fetched an equity value of ~\$1.45bn, a 26% premium over Apria's closing share price on January 7, 2022.

This landmark transaction in the DME space demonstrates the continued appetite for operators to build scale and develop a diversified product portfolio to capture ancillary revenue streams and address a range of patient conditions.

Select Transactions:

Month	Acquirer	Target	Deal Description
November	National Seating & Mobility	Comfort N Medical	National Seating & Mobility (NSM), a leading provider of mobility equipment, acquired Comfort N Medical, a Florida-based provider of mobility products with plans to expand into home accessibility solutions. The transaction represents a continuation of a broader trend across DME of providers seeking to diversify product offerings into adjacent areas such as home access.
October	Walgreens Boots Alliance	CareCentrix	Walgreens Boots Alliance (WBA) acquired a majority stake in CareCentrix, investing \$330M for a 55% stake in the business. The transaction will significantly deepen WBA's service offering across post-acute and home care as it launches Walgreens Health, a tech-enabled care model utilizing a national scaled, locally delivered healthcare platform.
October	OlyHealth	AdaptHealth	OlyHealth, a provider of respiratory, sleep, and CPAP supplies with six locations across Washington state, has been acquired by AdaptHealth. The transaction represents a continuation of AdaptHealth's aggressive inorganic expansion strategy over the past 24 months across a range of DME sub-verticals including respiratory, sleep, and diabetic supplies.

Near-Term Outlook:

As concerns over the potential impact of increases in the long-term capital gains tax rate by the Biden administration subside, Provident expects DME providers who were initially reluctant to pursue an M&A process in 2022 to re-consider approaching the market. Given the wide range of investors across the private equity and strategic universe with a thesis in DME, sellers are well-positioned to benefit from high-investor demand creating upward pressure on valuations.

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Upcoming Conference

MedTrade West
 April 4 – 6, 2022
 Phoenix Convention Center
 Phoenix, AZ

Q4-2021 Emergency Medical Services Update



Market Update

Acquisition activity within the Emergency Medical Services (EMS) sector accelerated in the fourth quarter of 2021, with many of the transactions being add-ons to established EMS providers. However, the most significant investment into EMS came from the private equity group Quilvest through its establishment of the UrgentMED platform, signaling the continued private equity demand to capitalize on strong urgent care tailwinds. EMS consolidation remains at record-high levels and Provident expects this growth to continue into 2022 due to global healthcare trends and patient demand for efficient and rapid care.

Select Transactions:

Month	Acquirer	Target	States	Description
Urgent Care				
December	Quilvest Capital Partners	UrgentMED	California	Quilvest, a leading global private investment firm, has acquired the leading network of urgent care clinics in Southern California, UrgentMED. The established platform operates 35 urgent care clinics.
December	CareFirst Urgent Care	Doctors' Urgent Care Offices	Ohio, Kentucky	CareFirst, the largest independent provider of urgent care in southern Ohio, has acquired Doctors' Urgent Care Offices. Through this acquisition CareFirst patients have access to 36 clinics in Ohio and Kentucky.
Ambulatory Services				
December	Global Medical Response	Med Express Ambulance	Louisiana	Med Express Ambulance is being acquired by Global Medical Response, expanding its team to 350 members and a fleet of 70 vehicles. Headquartered in Alexandria, Louisiana, the transaction will provide greater economies of scale.
November	PrideStar EMS	Trinity EMS	Massachusetts, New Hampshire	PrideStar EMS and Trinity EMS have entered into an agreement to create one emergency medical service company rooted in the Merrimack Valley and Southern New Hampshire. The expanded PrideStar EMS will employ 450 people and operate more than 115 vehicles.
Emergency Medicine				
October	Emergency Care Partners	Hernando County Emergency Physicians	Florida	Emergency Care Partners, a leading national provider of emergency medicine and emergency department management services for hospitals, has entered into a strategic merger with Hernando County Emergency Physicians. The combined platform will service 40 locations across five states.

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Q4-2021 Gastroenterology Services Update



Market Update

Gastroenterology has continued its trend of rapid consolidation into its sixth year and is expected to continue at this pace for the foreseeable future. The story of 2021 within GI M&A activity was centered around the sector's first successful exit of a financial sponsor in Audax's successful sale of Gastro Health to OMERS, the expansion of existing PE-backed MSOs into new markets, and increased competition amongst the nine PE-backed consolidators in the market for potential deal flow.

Increased competition and the successful recapitalization of Gastro Health have further buoyed investor confidence and aggressiveness in the space, which has in turn bolstered valuations for independent GI groups to new highs. Provident expects these compelling valuation levels to increase interest in pursuing potential partnerships amongst independent GI groups in 2022.

Select Transactions:

Gastroenterology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December	Gastro Health	Gastroenterology Associates of Pensacola	8	17	2
December	Gastro Health	Optimal Digestive Care	1	1	1
December	United Digestive	Gastroenterology Associates of Southwest Florida	11	4	1
December	GI Alliance	East Valley Gastroenterology and Hepatology Associates	6	7	1
November	Gastro Health	Digestive Care Center	1	1	1
November	United Digestive	DeKalb Gastroenterology Associates	6	2	1
October	United Digestive	Associates in Digestive Health	7	2	1
October	Covenant Physician Partners	Gastroenterology Associates in Arizona	2	1	1

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Market Update

M&A activity in the Healthcare Information Technology (HCIT) sector wrapped 2021 on a high-note headlined by several landmark transactions as the growth tailwinds in the space have attracted continued interest from investors. As healthcare continues its shift towards a more cost-effective, value-based care model, payors and providers alike are actively pursuing technology platforms that can provide real-time patient population analytics while adhering to an increasingly stringent standard of compliance protocols as more services are provided virtually.

Provident expects the HCIT sector to continue its strong growth trajectory into 2022, particularly as the resurgence in COVID cases driven by the Omicron variant generates renewed interest in exploring virtual care-delivery models.

HCIT Public Comparable Multiples

Select Public Healthcare IT Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV/REV	EV/EBITDA
Allscripts	\$17.92	\$1.50B	\$197.87M	1.61x	12.18x
Evolut Health	\$23.70	\$1.0B	\$38.07M	2.45x	64.61x
Teladoc Health	\$86.72	\$1.86B	\$(410.86)M	8.32x	N/A

As of 1/11/2022

Select Transactions:

Month	Acquirer	Target	Target :		
			Business Segment	Headquarters	Deal Size
December	Oracle	Cerner	Digital Information Systems	Kansas City, MO	\$28.3B
December	Optum	Change Healthcare	Analytics and Business Intelligence	Nashville, TN	\$13.5B
November	Nordic Capital / Insight Partners	Inovalon	Analytics and Business Intelligence	Bowie, MD	\$7.3B
November	Heldman & Friedman / Bain Capital	Athenahealth	EHR Solutions	Watertown, MA	\$17.0B
November	EverCommerce	DrChrono	Analytics and Business Intelligence	Sunnyvale, CA	N/A
November	Edifecs	Health Fidelity	Risk Adjustment Tools	San Mateo, CA	N/A
November	Dedalus Group	Swiftqueue Technologies Ltd.	Patient Access Solutions	Kildare, Ireland	N/A

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Market Update

While staffing firms continued to experience significant growth, a key concept in Q4, which will remain in 2022, is managing turnover. Staffing Industry Analysts (SIA) noted that firms servicing healthcare had a median turnover rate of 10%; for travel nurses, the median turnover rate was 5%. Insufficient staffing levels highlight a nurse's main reason for quitting. A study conducted by Cross Country found 32% of nurses are satisfied, compared to 52% pre-pandemic. 29% noted that they now have considered leaving the profession than prior to the pandemic, according to SIA. Pay continues to remain elevated, and nurses servicing rural communities are leaving for travel nurse jobs. Some nurses are receiving \$8,000-\$10,000 per week and hospitals are concerned about budgets given competition for talent remains fierce. Some states, such as Utah, are considering expediting certification for nursing students in their final year of training.

Two notable platform announcements in Q4 included American Health Staffing Group and GHR Resources, who partnered with Littlejohn and MidOcean Partners, respectively. Both groups were previously sponsor-backed as American Health Staffing Group by BelHealth Investment Partners and GHR Resources by Platform Partners.

Notable Staffing Transactions in Q4 2021

 <p>was acquired by</p> 	 <p>was acquired by</p> 	 <p>was acquired by</p> 
 <p>was acquired by</p> 	 <p>was acquired by</p> 	 <p>was acquired by</p> 

Select Transactions

Month	Acquirer	Target	Presence
December	MidOcean Partners	GHR Resources	Nationwide
November	Littlejohn	American Health Staffing Group	Nationwide
November	Ingenovis Health	HealthCare Support	Nationwide
October	Focus Search Partners	Southerland Group	Nationwide

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Q4-2021 Home Health & Hospice Update



Market Update

M&A activity in the home health, hospice and personal care market remains strong, albeit valuations have started to normalize from the peak seen in early 2021. Public companies in the space have faced several headwinds that have led to a decline in market caps, with some dropping over 50% in the calendar year. Factors driving the decline are the industry-wide labor shortage, wage pressure, and struggles integrating newly acquired assets. Some historically acquisitive public groups have shied away from additional M&A in recent months and are dialing back valuation multiples offered in order to remain accretive. On the other hand, private equity's appetite for M&A remains at all-time highs in both the formation of new platforms as well as continued bolt-on transaction activity, keeping both competition for assets and valuations elevated.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
December	Aveanna Healthcare Holdings Inc. (Nasdaq: AVAH)	Comfort Care	31	2	Aveanna has completed its acquisition of Comfort Care, a geriatric home health and hospice company with operations in AL and TN for a purchase price of \$345 million. Comfort Care generates roughly \$100 million in annual revenue, with roughly 47% of its revenue derived from home health and 53% from hospice.
December	Aveanna Healthcare Holdings Inc. (Nasdaq: AVAH)	Accredited Home Care	5	1	Aveanna completed its acquisition of Accredited Home Care, a leading personal care company based in Southern California, for a base purchase price of \$180 million, plus up to \$45 million subject to future performance. Accredited generated approximately \$115 million in revenue for the twelve months ended August 31, 2021.
October	Walgreen Boots Alliance (Nasdaq: WBA)	CareCentrix, Inc.	n/a	n/a	Walgreens Boots Alliance made a majority investment in CareCentrix, the leading, independent home-centered platform that coordinates care to the home for health plans, patients, and providers. The transaction was valued at \$330 million for 55% of the company at an \$800 million valuation.
October	Wellspring Capital Management	Caring Brands International (Interim Healthcare)	300+	41	Wellspring Capital Management acquired Caring Brands International, the parent company of Interim Healthcare, one of the nation's largest home care franchise companies.
October	Ridgemont Equity Partners	Agape Care Group	20+	2	Ridgemont Equity Partners, a Charlotte-based private equity firm, acquired Agape Care Group from their prior private equity partner, The Vistria Group.
October	Pharos Capital Group, LLC	THEMA Health Services	3	1	Pharos Capital, a middle-market private equity firm, acquired THEMA Health Services, a leading provider of hospice, home health, and palliative cares services throughout the state of Arizona.

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Upcoming Conference

Members of the Provident Healthcare Partners Post-acute care team will be attending the Home Care 100 conference in Scottsdale, AZ in February.

Home Health & Hospice Comparable Multiples

Select Public Post Acute Care Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV / Rev	EV / EBITDA
Addus HomeCare	\$93.51	\$761	\$75	1.92x	17.61x
Amedisys, Inc.	\$161.88	\$2,021	\$289	2.38x	16.81x
LHC Group, Inc.	\$137.23	\$2,169	\$303	2.26x	19.51x
National Healthcare Corp	\$67.94	\$992	\$162	0.98x	8.25x

Share price as of 12/31/2021

Revenue / EBITDA in \$000s

Q4-2021 Laboratory & Diagnostic Services Update



Market Update

Deal volume within the laboratory and diagnostics services sectors has remained high in the past year. In particular, those groups involved in the COVID-19 response have garnered keen interest from strategic consolidators looking to broaden their testing capabilities. Evidence of this was Quest Diagnostics acquisition of Labtech Diagnostics, marking its 28th acquisition in the last five years.

The recent surge of COVID-19, resulting from the Omicron variant has once again put extensive pressure on the diagnostic services industry, after a Q2 and Q3 lull. Labs have been stretched thin operationally due to the need for delivery of fast and accurate COVID-19 test results. Work schedules, travel and collaboration broadly, are all becoming increasingly reliant on the availability of COVID-19 testing options. The recent shortage of both PCR and at-home tests has demonstrated the persistent need for increased efficiency within the field. In order to keep up with the demand, as well as competition, Provident anticipates horizontal consolidation centering around acquiring capacity in the short term. With testing volumes remaining high we believe large, full-scale laboratories will look to smaller, regional labs to increase their processing capacity and test throughout.

Lab and Dx Services Public Trading Multiples

Company	Ticker	EV	Revenue	EBITDA	EV/REV	EV/EBITDA
LabCorp	LH	\$32B	\$16.5B	\$4.8B	1.95x	6.71x
Quest Diagnostics	DGX	\$23B	\$11.1B	\$3.2B	2.11x	7.29x
Eurofins	ERFSF	\$23B	\$7.6B	\$2.6B	3.02x	8.79x
Hologic	HOLX	\$20B	\$5.6B	\$3.0B	3.63x	6.92x
Exact Sciences	EXAS	\$14B	\$1.7B	-\$124.8M	7.95x	n/a

* All metrics are TTM basis as of January 10, 2022, Pitchbook.com

Select Transactions

Month	Acquirer	Target	Deal Description
December	Quest Diagnostics	Labtech Diagnostics	Quest Diagnostics, the nation's largest provider of diagnostic services, announced it has acquired Labtech Diagnostics, an independent clinical diagnostic laboratory provider serving physicians and patients primarily in South and North Carolina, Georgia and Florida.
December	Sonic Healthcare	ProPath	Sonic Healthcare Limited, one of the world's leading healthcare providers supplying laboratory medicine/radiology/general practice medicine, acquired ProPath Laboratory, Inc. ProPath is a physician led anatomical and clinical pathology (AP) practice that diagnoses cases from over 40 states.
November	Martis Capital	Lighthouse Lab Services	Martis Capital, a private equity firm focused on investing in healthcare businesses, has acquired a majority interest in Lighthouse Lab Services, alongside current investors NaviMed Capital and the Company's management team. Headquartered in Charlotte, North Carolina, Lighthouse is a provider of turnkey lab build-out and management services to clinical labs across the US.
October	Excellere Partners	Molecular Designs	Molecular Designs ("MD") is a leading developer, manufacturer, and supplier of multiplex assays for molecular testing research., Excellere's investment in Molecular Designs is a result of the company's novel testing solutions and the tailwinds supporting growth in the near-to-patient (NTP) testing sector.
October	Pace Analytical	BC Laboratories	Pace Analytical Services, LLC, preferred provider of in-lab, mobile, and emergency onsite specialty-contaminant and regulatory testing and analysis services, announced that it has acquired BC Laboratories, Inc., a provider of environmental analytical services in the western region of the United States.

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Upcoming Conference

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

Market Update

Q4-2021 rounded out a record year for behavioral health M&A as private equity and strategic investors, alike, spent 2021 deploying capital into the rapidly expanding sector.

2021 brought about renewed interest in digital health and telehealth treatment models within the behavioral health vertical. Resulting from the barriers set forth by the COVID-19 pandemic, investor attention turned in the favor of those groups implementing a digital model, due to their ability to be flexible and agile in a remote work environment. This is made evident by the merger of digitally native platforms, Ginger and Headspace, and Talkspace's \$1.4 Billion SPAC deal. As more groups adopt telehealth treatment modalities Provident believes, add-on volume will continue to climb for these existing platforms in coming years.

Provident believes that 2022 will be characterized by an influx in add-on acquisitions as the platforms established in 2020 and 2021 compete to gain market share in an increasingly competitive space.

Select Transactions

Mental Health Services				
Month	Acquirer	Target	Location(s)	State(s)
November	CareSource	The Columbus Organization	8	PA, IN, GA, OH
November	MindBeacon	Harmony Healthcare	1	NV
November	LifeStance	Acuity Counseling	7	WA
October	Headspace	Ginger	Digital	Nationwide
October	Shore Capital	Transformations Care Network	26	MA, PA, VA
Addiction & Medication-Assisted Treatment (MAT)				
Month	Acquirer	Target	Location(s)	State(s)
December	Baymark Health Services	The Riverwood Group	7	AR, FL, SD, KS, NE, IN
December	Acadia Healthcare	CenterPointe Health System	10	MO
December	Baymark Health Services	Granite Recovery Centers	3	NH
December	FFL Partners & Two Sigma	Community Medical Services	50+	Nationwide
November	Brightview Health	Right Path Treatment Centers	5	VA
October	Sunrise Treatment	Port 45 Recovery	2	OH
October	Broadstep Behavioral Health	Coastal Southern United Care	10	NC
October	Patient Square Capital	Summit Behavioral Health	50+	Nationwide

Transaction Spotlight



- Apax Partners, one of the largest PE funds in the country, alongside Oak HC/FT, has announced their acquisition of eating disorder program, The Eating Recovery Center (ERC) for \$1.4 Billion
- The investment marks Apax's largest investment into the behavioral health sector to date and one of the largest eating disorder transactions to date
- Apax intends to grow the digital and physical presence of ERC to be a nationwide provider
- The deal also includes sister company, Pathlight Mood and Anxiety Center

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Conference Attendance Spotlight



Provident team members, AJ Shekar and Daniel O'Brien attended the Treatment Center Investment and Valuation Retreat in Scottsdale, AZ in December. The conference was attended by over 350 operators, advisors and investors that work in and around the addiction treatment sector

Q4-2021 Ophthalmology Update



Market Update

The eyecare sector has continued to be one of the most active and sought after spaces within healthcare services and has shown no signs of slowing down. Q4 was especially active as many selling shareholders pushed for a year-end close in an anticipation of a potential capital gains increase. Retina continues to be an attractive subspecialty within the broader eyecare market but the biggest headline was CEI Vision Partner's (CVP) partnership with EyeCare Partners (ECP) which closed early on in the quarter. With the transaction, the ECP platform now consists of over 1,000 providers, providing services across 18 states. Provident expects transaction activity to continue at a similar pace with many PE-backed platforms gearing up for an exit in the next 6-12 months.

Provident Q4 Transaction



Scott & Christie Eyecare Associates will serve as EyeSouth's entrance into western PA and springboard to further growth and density in the region.

SCEA was Provident's fifth closed eyecare deal of the year and 13th overall.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
December	Retina Consultants of America	Mississippi Retina Associates	1	4	MS
December	Midwest Vision Partners	Discover Vision Centers	9	32	KS
December	US Eye	Southwest Florida Eye	3	5	FL
December	Quigley Eye Specialists	Visual Health	2	4	FL
November	Comprehensive Eyecare Partners	Eye Associates Northwest	4	17	WA
November	Spectrum Vision Partners	Stahl Eyecare Experts	4	6	NY
November	EyeCare Partners	Eye Institute of West Florida	5	25	FL
November	EyeSouth Partners	Scott & Christie Eyecare Associates*	3	8	PA
November	Retina Consultants of America	Retina Associates of Utah & Pacific Northwest Retina	12	21	UT, WA
November	VSP Vision Care	iCare Health Solutions	n/a	n/a	FL
October	US Eye	Griffey Eye Care & Albemarle Eye	7	12	NC, VA
October	Eyecare Partners	CEI Vision Partners	47	150	OH, KY, IN, VA
October	Retina Consultants of America	Colorado Retina Associates	8	13	CO
October	Unifeye Vision Partners	Southern California Desert Retina Consultants	2	2	CA
October	Spectrum Vision Partners	Comprehensive Eye MD	1	2	NY

*Provident acted as exclusive advisor to SCEA in its transaction

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Upcoming Conference

Members of the Provident Healthcare Partners vision care coverage team will be attending the ASCRS conference in Washington DC in April.

Market Update

The pediatric services sector has seen active M&A activity in the past year with transactions focusing in behavioral, dental, home health, primary care, and urgent care. Notably, Pediatrix, a Mednax Company, added to its pediatric initiative with an investment in Brave Care that will further expand services into urgent care clinics. The desire to add complementary service lines has been demonstrated through pediatric dental services provider ChildSmiles' entrance into primary care.

Pediatric services will continue to gain momentum with the transition from fee-for-service (FFS) to value-based care (VBC) models. The lag in pediatrics adopting the VBC payment model is attributed to differences in quality measures for children, which are generally a healthier patient population. Pediatrics has begun to incorporate elements of VBC by way of pay-for-performance models.

Provident expects to see significant investment in pediatric services due to the expected reimbursement changes, the fragmented nature of the market and continued expansion into complementary business lines.

Select Transactions

Transaction Spotlight



- Brave Care, founded in 2019, operates 3 pediatric care clinic locations in Oregon and North Carolina with a clinic in Texas opening soon; the Company serves more than 17,000 patients
- Mednax' \$25 million investment in Brave Care has created an opportunity for growth to over 100 new clinics in the coming years and brought Mednax's total investment to \$43 million
- Brave Care's mobile platform enables remote care 24/7 in addition to its brick-and-mortar clinics

Pediatric Services Q4 Deals					
Month	Acquirer	Target	Locations		
			Locations	Providers	State(s)
November	Cincinnati Children's	River Hills Pediatrics	3	4	KY
October	Spark Orthodontics	Cumberland Pediatric Dentistry & Orthodontics	8	24	TN
October	Mednax	Brave Care	3	8	OR, NC
October	The ChildSmiles Group	Smiles 4 Keeps	4	4	PA
October	Thrive Alabama	Tender Care Pediatrics	1	3	AL

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Q4-2021 Pharmaceutical Services Update



Market Update

The final quarter of 2021 was the most active for deal volumes in the past half decade. While this year has observed many blockbuster transactions among the largest CRO market share holders, greater deal volumes have also occurred throughout multiple sub-verticals of pharma services, including amongst CDMOs and clinical research sites. Provident closed two sites transactions in 2021 and expects this fragmented space to mirror this year's consolidation activity into 2022.

Select Transactions:

Month	Acquirer	Target	Target Focus	Target Geography
December	CenExel	Rocky Mountain Movement Disorders Center	Clinical Research Site	United States
December	Altasciences	Sinclair Research	Preclinical CRO	United States
December	CATO SMS	Pharm-Olam	Research & Development	United States
December	Great Point Partners	Performance Cell Manufacturing	CDMO	United States
December	GHO Capital	RoslinCT	CDMO	Scotland
December	Merck KGaA	Exelead	CDMO	United States
November	Amador Bioscience	A2PG	Consulting	United States
November	Quadrant	Southern Star Research	CRO	Australia
November	Rho	Dokumeds	CRO	Latvia
October	Velocity Clinical Research	National Research Institute	Clinical Research Site	United States
October	Velocity Clinical Research	Vitalink Research	Clinical Research Site	United States

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Market Update

2021 concluded with the formation of two new private equity-backed platforms in both infusion and pharmacy services, a positive development for competition in an industry that has experienced a large degree of vertical integration from payors and consolidation amongst key market share holders in prior quarters. InfuCare Rx, a New Jersey based infusion services provider, partnered with One Equity Partners to create a new platform focused in and around IVIG and other chronic care conditions. Terrapin Pharmacy, a long-term care and mental health focused pharmacy provider received an investment from WindRose Health Investors, which will allow the company to expand out of the Mid-Atlantic region. Both these deals signal good news to independent stakeholders in the space and increases the potential partner pool for organizations seeking acquisition opportunities.

Select Transactions

Month	Acquirer	Target	Pharmacy Sub-Sector	Deal Significance
December	FlexCare Infusion Centers	InfuseAble Care	Infusion Therapy	Arizona based InfuseAble Care has been acquired by FlexCare Infusion Centers. With the acquisition, FlexCare now operates 11 clinics across three states, with five more opening in the next quarter. FlexCare will continue to focus on chronic disease infusion services that require specialty biologic therapies.
December	One Equity Partners	InfuCare Rx	Infusion Therapy & Specialty Pharmacy	One Equity Partners has invested in InfuCare Rx, one of the largest independent specialty infusion and pharmacy providers in the U.S. Based in New Jersey, InfuCare Rx services 4,000 patients across 43 states. The company has a particular focus on IVIG and bleeding disorder treatment therapies.
December	WindRose Health Investors	Terrapin Pharmacy	LTC Pharmacy	WindRose Health formed a new platform in the pharmacy space via its investment in Annapolis, MD based Terrapin Pharmacy, a pharmacy specializing in long term care and mental health patient populations, treating over 4,000 patients.
December	CareDx	The Transplant Pharmacy	Transplant pharmacy services	CareDx, a comprehensive provider to transplant patients and caregivers, has acquired The Transplant Pharmacy, a transplant focused pharmacy located in Flowood, Mississippi, to expand its medication management and adherence services. The acquisition will serve as a natural ancillary to CareDx's existing transplant services.

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Q4-2021 Physician Services Update



Select Transactions:

Anesthesia					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
November	NorthStar Anesthesia	Epix Anesthesia	7	2	2
October	National Partners in Healthcare	Alpine Anesthesia	13	2	2
October	CRH Anesthesia	Destin Anesthesia	N/A	1	1
October	CRH Anesthesia	Pinellas County Anesthesia Associates	N/A	4	1

Ear, Nose & Throat (ENT)					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
November	SENTA	Center for Allergy and Asthma of Georgia	10	10	1
October	New Harbor Capital	The Ear, Nose, Throat & Plastic Surgery Associates	13	5	1

Radiology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
June	RAYUS Radiology	Diagnostic Centers of America	40	8	1

Urology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December	Solaris Health	Anne Arundel Urology	20	5	1
November	Solaris Health	Colorado Springs Urological Associates	5	1	1
November	Solaris Health	Michigan Institute of Urology	57	18	1
October	Solaris Health	Advanced Urology Associates	14	3	1

Women's Health / OBGYN					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December	Pinnacle Fertility	ORM Fertility	7	4	2
December	Fertility Specialists Network	IVFMD	3	3	1
November	Forum Health	Revitalize Medical Group	2	1	1

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Recent Whitepaper:

Provident recently released a whitepaper on [Tailwinds Driving Investment in Payor Services](#).

Market Update

The primary care services sector has seen aggressive M&A activity in the past year. Both large and mid-sized market players have continued to consolidate at an increased pace. Following a strong first half of the year, Q4 saw an uptick in investment activity centered around value-based care, most notably Walgreens' \$5.2 billion investment in VillageMD.

The rapid spread of the Omicron variant and an aging population have put immense pressure on primary care clinics nationwide. The primary care sector has had to keep up with these ongoing trends, while simultaneously attempting to transition from the fee-for-service (FFS) payment model to the value-based care (VBC) model. Investing in new modern approaches to manage spend and encouraging innovation will be imperative to solidifying and coordinating value-based care for years to come.

Provident anticipates deal flow in the primary care space to remain active as private investors and the public market continue expanding their footprint in full risk VBC. Investors will continue to offer differentiated products, new technologies, and access to capital as the market adapts to VBC and direct primary care.

Select Transactions

Primary Care Space Q4 Deals				
Month	Acquirer	Target	Location(s)	Deal Description
November	Rubicon Founders	U.S. Medical Management	100+	A consortium of investors led by Rubicon Founders acquired a majority stake in U.S. Medical Management, a recognized leader in providing high-quality, compassionate healthcare within proven care models that support complex and fragile individuals in the home setting. Centene Corporation will retain a minority stake in the company.
November	Bain Capital	Innovacare Health	34	InnovaCare Health, a regional leader in integrated and value-based healthcare services, announced the signing of a definitive agreement for a majority investment from Bain Capital Private Equity. The new partnership will accelerate the Company's growth and enable InnovaCare to scale its innovative, physician-led model to enter key markets nationwide.
October	Charles Bank, Goldman Sachs	MDVIP	300+	MDVIP, the national leader in personalized membership-based healthcare, announced that Goldman Sachs and Charlesbank have entered into a definitive agreement to acquire majority ownership of MDVIP from Leonard Green & Partners and Summit Partners.
October	Walgreens Boots Alliance	VillageMD	200+	Walgreens Boots Alliance (Nasdaq: WBA) and VillageMD agreed to make an additional investment in VillageMD to advance its strategic position in the delivery of value-based primary care, a \$1 trillion, fast-growing segment of the healthcare system.
October	CareATC	CareTeam Health	1	CareATC, one of the largest employer-sponsored healthcare providers, acquired CareTeam, a growing direct primary care provider. The acquisition expands CareATC services to deliver proactive and comprehensive care for employers and their employees across the United States.

Transaction Spotlight



- VillageMD, founded in 2013, operates 200+ primary care clinic locations in 12 states; the company actively serves 1.6 million patients across the United States
- Walgreens' \$5.2 billion investment in VillageMD will increase the number of co-located primary care practices to over 600 in more than 30 U.S. markets by 2025, with more than half in underserved communities
- VillageMD remains a standalone company, with its own board and management and plans to conduct an IPO in 2022

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Primary Care Whitepaper

[Consolidation & Investment Within Value-Based Primary Care - Provident Healthcare Partners \(providenthp.com\)](#)

Q4-2021 Private Equity Update

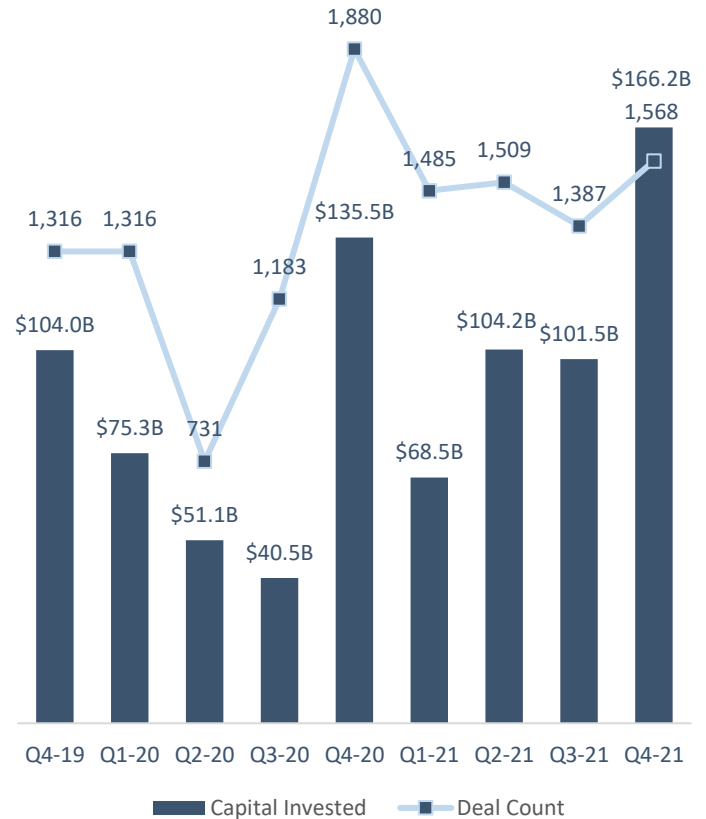
Commentary

PE dealmaking concluded 2021 with more than 1,500 transactions in the fourth quarter, bringing the total for the year to ~6,000 transactions. Overall, PE investors remain bullish across a variety of healthcare subsectors as firms take advantage of markets awash with liquidity and look for defensible assets. 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.

The appetite for high quality deals persisted throughout 2021 despite high multiples. The healthcare sector-wide mean enterprise value / EBITDA multiple was north of 15.0x. The life science and pharmaceutical sectors had some of the highest deal volume driven in part by a strong pipeline for additional Covid-19 therapeutics, including oral antivirals and other vaccines. Behavioral health also had an active year, as the sector has experienced heightened demand for services due to increase awareness of its importance, a trend also accelerated by Covid-19 and the impacts it has on mental health, particularly in children and adolescents. Physician practice management and services deal volume also persisted, including several completed deals in dermatology, dentistry, GI, vision care, urology, and women's health, a trend likely to continue throughout 2022.

In general, PE could continue to see elevated levels of deal volume and capital invested in 2022, as middle-market transactions continue to experience tailwinds from strong economic recovery, abundance of dry powder, and the decrease threat of a material increase in long-term capital gains tax.

Private Equity Investment & Deal Count⁽¹⁾



Q4-2021 Healthcare Private Equity Quick Stats⁽¹⁾

Transactions
235+

Healthcare transaction volume exploded to 235+ in Q4-21, up from ~200 in the previous quarter. Competition between private equity and strategic acquirers continue to push valuations upwards, particularly in managed care, skilled nursing facilities, assisted living facilities, and long-term acute care hospitals.

PE Exits
85+

Several notable PE exits occurred in Q4-21 including Revelstoke Capital's exit of CVP Partners to Eyecare Partners / Partners Group for ~\$600M. RiverGlade Capital also exited U.S. Oral Surgery Management which was acquired by Oak Hill Capital, the transaction values the company at an estimated \$725M.

Investors
330+

The growing, diverse investor and acquirer base highlights how sectors across the healthcare spectrum remain extremely active and ripe for consolidation. Investors also continue to perceive healthcare assets as less risky.

Capital Invested
\$53.5B

Private equity and corporate capital is abundant and driving the demand for assets across dozens of subsectors. CROs, ASCs, home infusion, labs, MRI & dialysis, long-term care, and home health and hospice have been the biggest beneficiaries of this capital.

Largest Deal
\$34.0B

Medline industries, a manufacturer and distributor of healthcare supplies partnering with healthcare providers around the world, was acquired by The Blackstone Group, The Carlyle Group, and others through a \$34.0B LBO in October 2021.

Top Investors by Deal Count



Sources:
1. PitchBook Data as of 1/11/2022.

Select Q4-2021 Transactions

Month	Acquirer / Investor	Target	Healthcare Vertical	Target Description
November	Oak Hill Capital	U.S. Oral Surgery Management	Oral Surgery	A shared services organization that collaborates with oral and maxillofacial surgeons to offer a partnership solution for continued and accelerated growth.
November	Eyecare Partners / Partners Group	CVP Physicians	Vision Care	Operator of a network of ophthalmology practices in the Midwest and Mid-Atlantic of the United States.
November	Beecken Petty O'Keefe, Centerbridge Partners	Medical Solutions	Staffing	Provider of travel nursing and medical staffing services.
October	The Blackstone Group, The Carlyle Group, Hellman & Friedman	Medline Industries	Supplies	Manufacturer and distributor of healthcare supplies partnering with healthcare providers around the world.
October	24 Hour Home Care	Alpine Investors	Home Care	Provider of non-medical home care to seniors and persons with intellectual and developmental disabilities.

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.

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- 23+** *Years of Healthcare Investment Banking*
- 150+** *Healthcare Deals Closed*
- 75+** *Physician Deals Closed Since 2014*
- 26** *Investment Banking Professionals*

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Q4-2021 Rehabilitation Update



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. In addition to the transactions highlighted below, Athletico Physical Therapy announced it entered into a definitive agreement to acquire Pivot Health Solutions, a portfolio company of PennantPark, at a rumored transaction value of approximately \$550 million. The transaction is expected to close in Q1 of 2022.

Along with the continued outpatient physical therapy interest, Provident is seeing increased demand for those offering complementary tech solutions. Virtual physical therapy providers Hinge Health and Sword Health both announced significant capital raises in the fourth quarter at \$600 million and \$163 million, respectively. At a valuation of \$6.2 billion, Hinge Health is one of the highest-valued digital health companies in the market. Investors clearly see a big opportunity for consolidation and innovation driven by favorable demographic trends. As a result, Provident expects valuations and investor interest to remain high for both traditional assets as well as new tech-enabled solutions across the musculoskeletal space.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
December	BPOC Partners	Alliance Physical Therapy Partners, LLC	90+	14 States	BPOC, one of the longest-tenured pure play healthcare investors, acquired Alliance Physical Therapy Partners from GPB Capital Holdings LLC.
December	U.S. Physical Therapy, Inc. (NYSE: USPH)	Undisclosed Industrial Injury Prevention Services	n/a	n/a	USPH, acquired 70% ownership in an undisclosed industrial injury prevention services company. The target generates approximately \$27.0 million in annual revenue. USPH acquired its interest in the company at a purchase price of approximately \$63.2 million.
December	Confluent Health	Foothills Therapy Partners	45	Arizona	Confluent Health, backed by private equity firm Partners Group, acquired Foothills Therapy Partners, the largest outpatient physical therapy provider in Arizona.
November	ATI Physical Therapy (NYSE: ATIP)	Auburn Physical Therapy	4	Michigan	ATI Physical Therapy acquired Auburn Physical Therapy increasing its Michigan portfolio to more than 85 locations.
October	Ivy Rehab Network	Elite Physical Therapy	11	Rhode Island and Massachusetts	Ivy Rehab Network, backed by Waud Capital, acquired Elite Physical Therapy to enter the Rhode Island and Massachusetts markets.

USPH vs. Other Healthcare Facility Operators

Company	Ticker	EV/Revenue (TTM)	EV/EBITDA (TTM)
US Physical Therapy	USPH	2.95x	18.83x
Acadia Healthcare	ACHC	3.99x	12.25x
Encompass Health	EHC	2.05x	10.15x
HCA	HCA	1.99x	9.15x

As of 12/31/2021

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Concluding Thoughts

Healthcare services M&A activity in Q4 2021 continued its trend from the first half of the year after rebounding from a dip in transaction volume in Q3. Year-to-date activity shows 1,800 closed transactions representing more than \$190 billion in invested capital. Groups in healthcare services are consistently turning to M&A to achieve benefits of growth, such as favorable payors contracts and economies of scale. Dynamic economic conditions, federal and state healthcare initiatives, and technological advancement will continue to impact industry trends.

Over the course of 2021, the industry saw revival in deal volume and capital investment since the beginning of the pandemic. Q4 2021 deal volumes posted a yearlong high and capital investment on par with the first half of the year, signaling that strategic and financial interest in acquisitions will outweigh the base case scenario for proposed changes in tax rates, prospective interest rate increases, and hesitations surrounding Omicron.

Home health & hospice, along with dental services, saw the highest level of quarterly deal activity among healthcare sectors. The country's preparation for COVID-19 has produced major benefits for groups looking to invest in both hospice and home health and dental services groups. Pent up demand for services in each space to continue operating, largely influencing consolidation. This is especially true, as COVID accelerated the decline in health for older populations.

Provident expects deal activity to remain high through 2022. Many trends in healthcare services such as the use of telehealth, COVID treatment centers, 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, Q1 2022 is primed to be a high activity quarter to start the 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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