

Q2-2022 Private Equity Update

Commentary

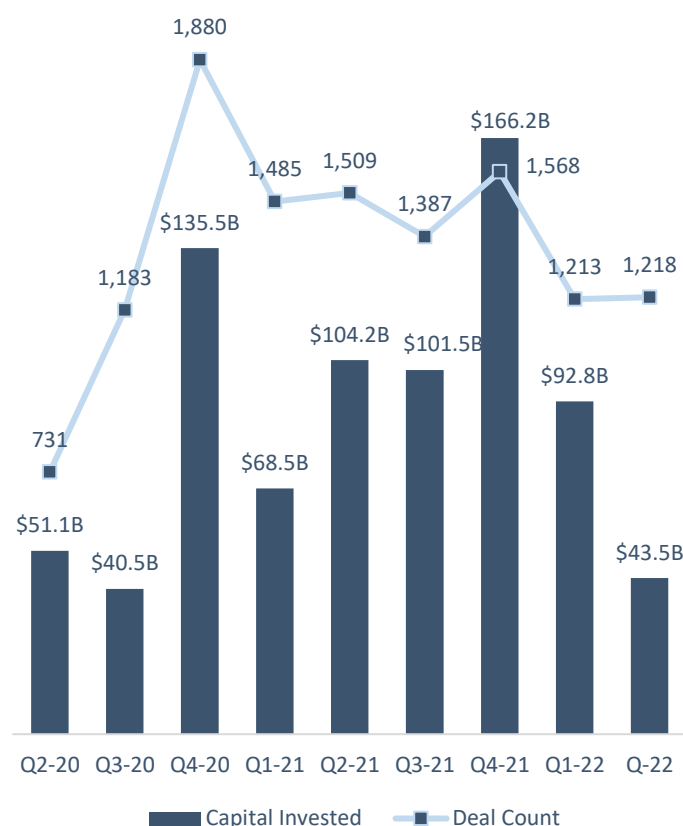
Transaction volume in Q2-22 dipped off once again from its recent highs to its lowest quarterly level in over 15 months. Private equity firms still hold an abundant amount of capital, but velocity in which funds are deploying capital as slowed. Overall, PE investors remain fairly bullish across a variety of healthcare subsectors despite the ongoing threats of inflation, rising interest rates, and conflict in eastern Europe. Healthcare services companies are still considered a more defensible asset class than many other industries, making them typically more appealing during a recession than certain CPG assets, for example.

Most of the deal volume is still supported by roll-up / add-on transactions, which has been an ongoing effort by the services industries to consolidate still fragmented subsectors along the healthcare continuum. However, the spike in M&A deal volume in 2021 has also left many PE firms and PE-backed strategics figuring out how to optimize their integration of new services and products.

Some subsectors have remained resilient, specifically those that have multiple ancillary services (including ASCs), substantial growth potential, experienced VBC programs, and experienced management teams. Long-term care, hospice, home health, physician specialty practices, pharma services, and tech-enabled services, have all proven to be resilient.

Provident anticipates overall PE healthcare services M&A activity will likely remain steady but the market might see pockets of subsectors that will be impacted more than others throughout the rest of the year.

Private Equity Investment & Deal Count⁽¹⁾



Q2-2022 Healthcare Private Equity Quick Stats⁽¹⁾

Transactions
175+

Healthcare transaction volume dipped slightly again from 190+ in Q1-22 to 175+ in Q2-22. Competition tension between sponsors and strategics has kept valuations at elevated levels, but overall M&A activity is slowing. Inflation, rising interest rates, and the likelihood of a recession are all factors into the dip in M&A transactions.

PE Exits
55+

Several notable PE exits occurred in Q2-22 including Centre Partners' exit of Vision Innovation Partners to Gryphon Investors. Sun Capital also exited West Dermatology which was acquired by Platinum Dermatology Partners, via its financial sponsor Sterling Capital.

Investors
260+

The growing, diverse investor and acquirer base highlights how sectors across the healthcare spectrum remain active and ripe for consolidation. With a record number of private equity funds currently fundraising, the velocity of fundraising may be stressing LP allocations.

Capital Invested
\$8.4B

The drop in transaction volume also impacted the capital invested, dipping from the previous quarter. Private equity and corporate capital was once abundant and is now starting to shrink. Inflation, higher interest rates, and other market trends are factors contributing to the cash burn rate from smaller PE-backed companies.

Largest Deal
\$2.0B

Tivity Health, is a leading provider of health improvement, nutrition, fitness, and social engagement solutions at scale to improve clinical outcomes, reduce healthcare costs. Stone Point Capital acquired the asset through a \$2B public-to-private transaction.

Top Investors by Deal Count



Select Q2-2022 Transactions

Month	Acquirer / Investor	Target	Healthcare Vertical	Target Description
June	Platinum Dermatology / Sterling Partners	West Dermatology	Dermatology	A physician practice management company that operates dermatology clinics in Nevada, Arizona and California.
June	Capitol Pain Institute	Iron Path Capital	Interventional Pain Management	An IPM provider with clinics and surgical centers across Texas, Ohio, and Kentucky.
May	Pathways / Atar Capital	Psychological Assessment & Intervention Services	Behavioral Health	A provider of person-centered home and community-based services, including direct services and case management for individuals with developmental disabilities (IDD).
April	Gryphon Investors	Vision Innovation Partners	Eye Care	A provider of eye care services in the mid-Atlantic region.
April	GI Alliance / Waud Capital	Digestive Health Specialists & Gastro Consultants	Gastroenterology	Two GI providers in Kansas City (DHS) and Houston (GC). Both practices focus on providing best-in-class care to patients and will bolster GI Alliance's geographic footprint.

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, 28 investment banking professionals and over \$4.5B 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

165+

Healthcare Deals Closed

75+

Physician Deals Closed Since 2014

28

Investment Banking Professionals

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