

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 2022



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Q3-2022 Market Update: Healthcare Services M&A

Market Activity Levels Remain Consistent



Healthcare services deal volumes have normalized to sustainable levels following a record-breaking year in 2021. Overall deal count for healthcare services transactions saw an 11% decrease from the previous quarter while capital invested increased by nearly 76%, demonstrating continued investor appetite. Interest in premium healthcare assets is expected to persist, with investors looking to more defensive industries as the macroeconomic environment continues to fluctuate.

While elevated interest rates and persistent inflation have been weighing on the minds of investors, they haven't proven to be a deterrent for M&A activity within the healthcare space, especially in the lower to middle market. Deal volume, transaction size, and valuations have remained strong through 2022 as private equity firms and strategic acquirers compete for platform investments and add-on acquisitions that will bolster their market presence. The exits from successful healthcare services platforms such as EyeSouth, GI Alliance, and Paradigm Oral Health reinforce these trends and suggest that the macroeconomic situation will not serve as a deterrent in the coming months.

With deal activity remaining steady since normalizing in Q1, Provident anticipates healthcare transaction volume will continue at a consistent rate through the remainder of 2022 as investors have shown their resilience in the face of an overall weakened market environment.

Notable Market Healthcare Deals This Quarter

Ophthalmology	Gastroenterology	Oral Surgery	Autism Services
<p>Has been acquired by</p>	<p>Has received an investment from</p>	<p>Has been acquired by</p>	<p>Has been acquired by</p>

Select Provident Q3-2022 Transaction

Ophthalmology	Deal Notes
<p>Has been acquired by</p> <p>a portfolio company of</p>	<p>Provident served as the exclusive financial advisor to Raleigh Ophthalmology in its alignment with EyeSouth Partners, a portfolio company of Shore Capital Partners (now Olympus Partners). Raleigh Ophthalmology ("Raleigh") is a NC-based provider of comprehensive and subspecialty medical and surgical eye care. Raleigh has served the NC community since 1972 through its three locations.</p> <p>EyeSouth is an eye care management services organization that partners with leading physicians to build a premier network of eye care services throughout the U.S. EyeSouth supports its affiliated practices and physician partners with strategic guidance, administrative resources, operating expertise, and capital with a focus on clinical quality and a patient-first culture. EyeSouth's affiliate network consists of over 250 doctors providing medical and surgical eye care services at over 150 locations throughout the U.S.</p>
Gastroenterology	Deal Notes
<p>Has partnered with</p> <p>a portfolio company of</p>	<p>Provident advised Delaware Center for Digestive Care ("DCDC") in its partnership with US Digestive Health ("USDH"), a portfolio company of Amulet Capital ("Amulet"). This transaction represents USDH's first partnership outside of Pennsylvania. DCDC will bring an additional three locations, 35+ providers, and more than 135 employees to USDH.</p> <p>US Digestive Health is the leading gastroenterology practice in the Northeast. Formed in 2019 by Amulet Capital, USDH aims to deliver high-value, patient-centric digestive healthcare by bringing new insight into the care, treatment, and prevention of digestive health disorders. USDH consists of 29 locations, 17 ambulatory surgery centers, over 200 GI providers, and more than 950 employees throughout Southeastern, Central, and Southwestern Pennsylvania, and Delaware.</p>

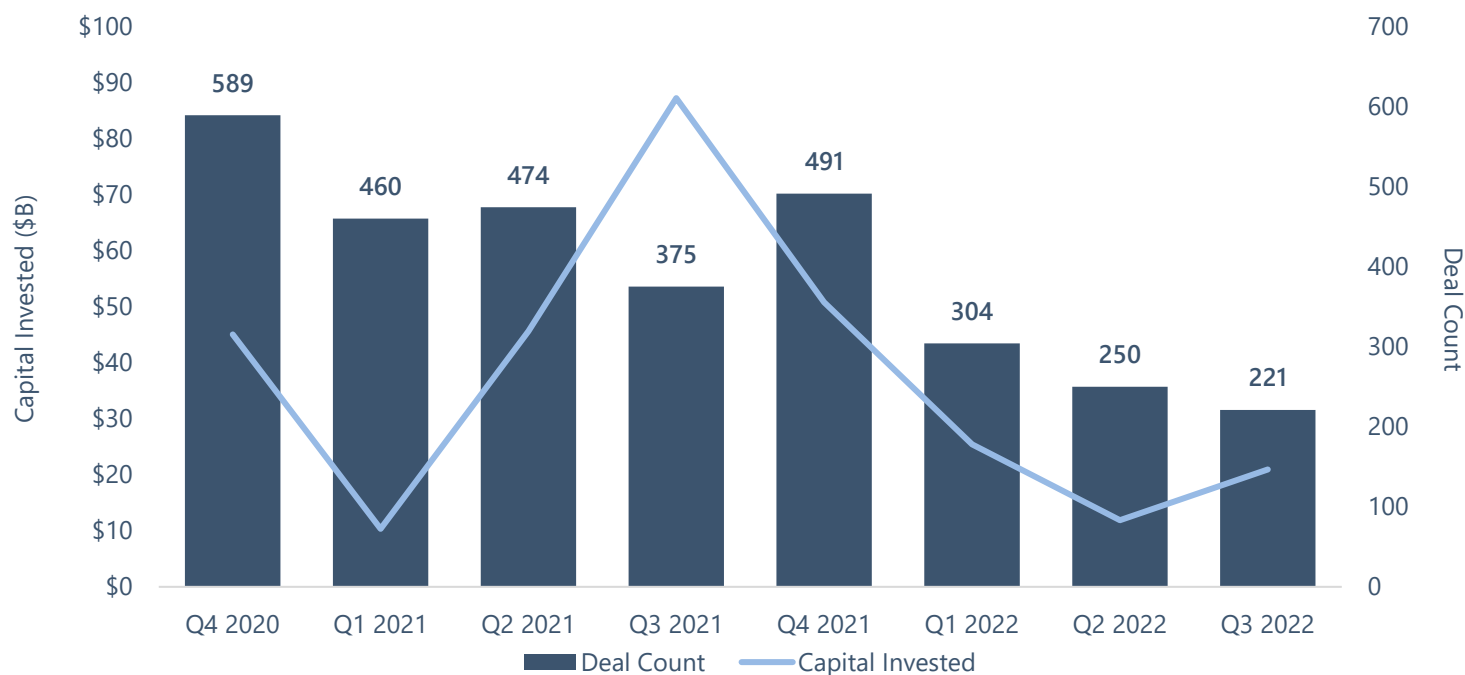
Recent News Articles & Podcasts

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- [Hospice M&A Going Strong, But Non-Medical Home Care Rising Star](#)
- [Analyzing key Developments in the Behavioral Health Space](#)

Healthcare M&A Deal Stratification

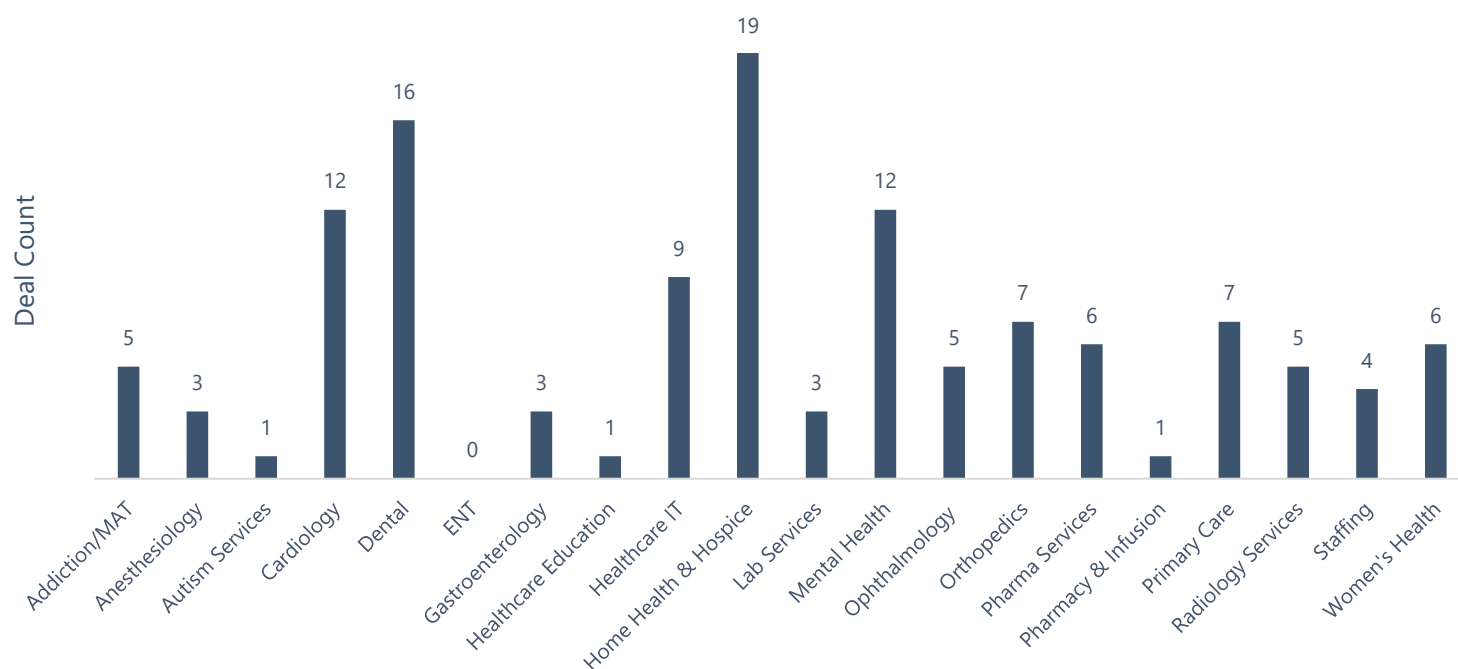
Healthcare services M&A activity has remained strong through the third quarter of 2022. The healthcare services sector saw 221 transactions, with private equity investments totaling 134 transactions and strategic investments totaling 87 transactions. Home health and hospice continues to lead sector-specific transaction activity with 19 deals in Q3, followed closely by dental with 16 deals this past quarter. Cardiology saw a significant uptick in volume, with deal activity rising from 2 in Q2 to 12 in Q3.

Healthcare Services M&A Quarterly Deal Activity (Q4 2020 – Q3 2022)



Source: PitchBook Inc. sectors included in the deal count include healthcare services.

Healthcare Services Deal Count (Q3 2022)



Source: Pitchbook Data

Q3-2022 Autism Services Newsletter

Market Update

Despite ongoing labor challenges and inflationary pressures, the demand for autism services continues to draw outside investor interest. While quarterly deal activity slowed from years past, we still see elevated sponsor activity as private equity-backed platforms continue to create competition for add-on acquisitions. Looking ahead, we expect to see a rise in secondary buyouts, or even consolidation among larger platforms. For Example, NexPhase Capital announced its sale of Action Behavior Centers to Charlesbank Capital in August, garnering a valuation of \$800+ million and an implied 14.0x adjusted EBITDA multiple.

We also continued to see private equity investment in diversified behavioral health providers, or companies with services that span mental health, special education, and pediatric therapy, acquiring ABA practices. As an example, the Stepping Stones Group, a diversified special education and behavioral health provider, acquired the Center for Behavioral, Education, and Social Therapies in July. Further, in August, Avesi Partners announced its investment in Point Quest, a school-based adolescent behavioral health provider, offering a broad suite of services, including speech therapy, ABA therapy, and mental health services. As consolidation continues, financial sponsors and strategic acquirers still see an opportunity to increase accessibility, expand service offerings, and bolster corporate infrastructure, all while striving to improve an individual's experience and outcomes in a treatment program.

Select Transactions:

Month	Acquirer	Target	Deal Description
August			Avesi Partners invested in Point Quest, a provider of adolescent behavioral health and special education services in California
August			Charlesbank Capital Partners acquired Action Behavior Centers from NexPhase Capital in a secondary buyout
July			Theraplay, a PT/OT/ST provider in the Mid-Atlantic partnered with Ivy Rehab, a diversified ABA and pediatric therapy rehabilitation provider
July			Sevita, a diversified IDD provider, acquired Pediatric Partners, a medical home offering a broad suite of behavioral health services
July			The Stepping Stones Group, a diversified behavioral health provider, acquired C.B.E.S.T, a provider of ABA services in California

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

[Podcast: Analyzing Key Developments in the Behavioral Health Space](#)

Q3-2022 Dental Services Update

Market Update

The dental market has remained highly-active in recent months. Transaction activity has included landmark acquisitions of large private-equity backed DSOs, the formation of new DSOs by investors, the continued consolidation of local and regional practices, and further investment in onsite dentistry.

Two significant private-equity-owned DSO transactions were focused on specialty dental providers. Paradigm Oral Surgery, a 75+ location OMS DSO, and Specialty Dental Brands, a high-growth multi-specialty DSO, received investment from BlackRock and TSG Consumer, respectively.

The Beekman Group and Court Square, two experienced healthcare and dental investors, each closed new DSO platform investments with founder-owned companies.

This activity suggests that despite rising interest rates and pressures on public markets, that investors and lenders are still excited to invest in new and established dental platforms.

Significant Transactions

 <p>A portfolio company of</p>  <p>has received investment from</p> 	 <p>A portfolio company of</p>  <p>has been acquired by</p> 
 <p>Has been recapitalized by</p> 	 <p>Has been acquired by</p> 

Select Transactions:

Month	Target	Investor(s)	Locations	Geography
July			40	CA
July			11	WI
September			236	20+ States
September			75	10+ States
September			2+	TN
September			Onsite	10+ States

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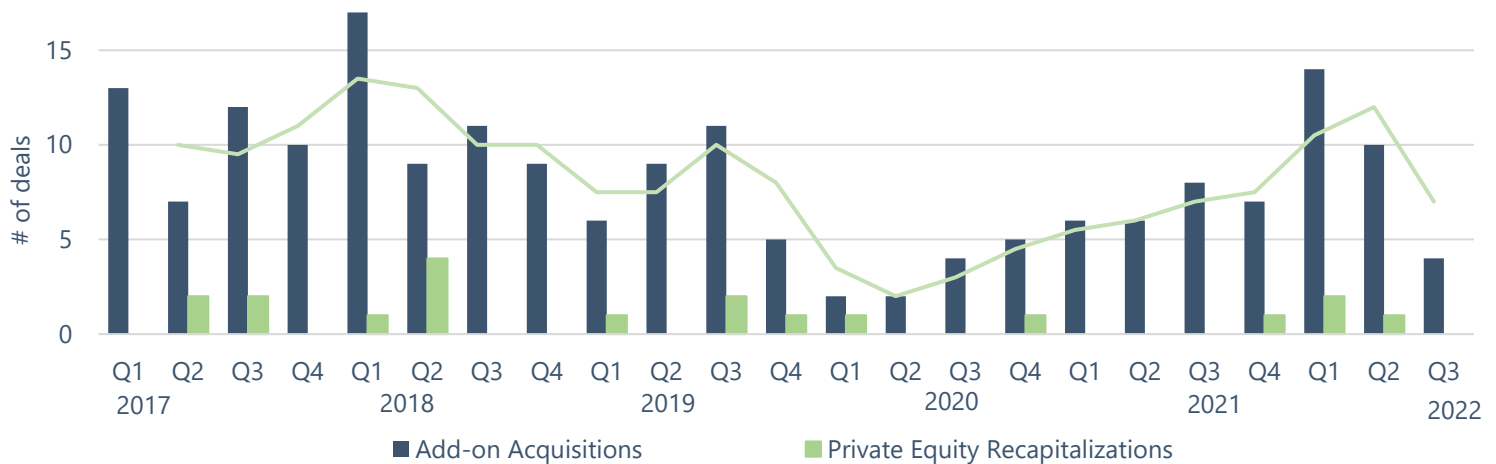
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Q3-2022 Dermatology Update

Market Update



While transaction activity was relatively modest in the third quarter within the dermatology space, Provident expects the slowdown to be a “calm before the storm”, of sorts, as many private equity-backed platforms are rumored to have launched sale processes of their own. Provident expects multiple PE-backed MSOs to trade hands within the next three to six months, which will ultimately drive more transaction volume within the space. Outside of secondary deal activity, there seems to be multiple scaled, independent practices that are entertaining partnerships and who will serve as new platforms for existing MSOs as well as new investors entering the space. Provident expects the supply and demand imbalance within the space to continue to buoy valuations, even as a potential recession looms in the face of rising interest rates.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
October			2	3	TX
September			1	2	WA
July			7	14	GA
July			1	1	MD

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Upcoming Conference

Members of the Provident Healthcare Partners dermatology coverage team will be attending the AAD conference in March 2023

Q3-2022 Durable Medical Equipment (DME) Update

Market Update

DME market activity continued at a steady clip throughout Q3 as several new platform investments and add-on acquisitions were completed. M&A activity has persisted despite recent interest rate hikes as deal flow has been buoyed by lower-middle-market consolidation, which tends to exhibit more conservative leverage utilization through acquisitions. Further, strategic acquirers and PE platforms with existing credit facilities and sufficient cash reserves will be well-positioned to continue aggressively pursuing M&A opportunities

Provident In the News:

Find additional insight on the DME M&A landscape from Kevin Palamara, featured in HME News "Smart Talk" series, here: [SMART TALK](#)

Notable Transaction



August 2022

Montgomery DME (MDME), a California-based provider of beds, oxygen, and other medical equipment to hospice organizations has been recapitalized by private equity sponsor Incline Equity Partners (Incline).

MDME, previously backed by Monument Microcap Partners, exhibited a strong inorganic growth strategy throughout Monument's investment period with 3 tuck-in acquisitions to solidify its Southern CA market presence. Incline will seek to continue this model and expand MDME's services across a broader geographic footprint.

Select Transactions:

Month	Acquirer	Target	Deal Description
September			Advent Home Medical, a respiratory equipment provider backed by PE sponsor New Harbor Capital, acquired home respiratory equipment provider Aeratech Home Medical. Aeratech's strong regional presence across Ohio and Indiana represents a natural extension of Advent's current footprint and an opportunity to build further market density.
July			Lifeway Mobility, a provider of home access solutions backed by PE sponsor Cressey & Company, acquired Health & Comfort Equipment Service in Kansas City, allowing the company to further expand its offerings throughout Kansas and provide services in Missouri. The acquisition represents a continuation of Lifeway's rapid inorganic growth following its partnership with Cressey following its acquisition of Accessible Systems in April 2022.
July			Quipt Home Medical, a publicly-traded provider of home medical and respiratory equipment, acquired Mississippi-based respiratory equipment provider Hometown Medical. The acquisition effectively doubles Quipts presence in the state as the group continues to aggressively expand its southeast footprint via M&A. Quipt has closed 6 transactions in 2022 YTD.
July			Rehab Medical, an Indianapolis-based provider of complex rehab technology and mobility equipment, acquired Georgia-based Priority Medical. The acquisition bolsters its presence in the Southeast following several FL-based acquisitions over the past 24-months.

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Q3-2022 Emergency Medical Services Update

Market Update

The EMS private equity and M&A market remained strong in Q3 2022, with three significant add-on acquisitions occurring in the quarter by large urgent care players. The highlighted acquisitions represent transactions with established urgent care platforms, with the intentional goal of increasing the number of sites of care and expanding their patient reach into new states and geographies.

FastPace Health, a portfolio company of Revelstoke Capital Partners, a seasoned healthcare services investor, acquired First Care Clinics. Since Revelstoke's initial investment in 2016, Fast Pace has grown its clinical footprint from 35 clinics in two states to over 200 sites in six states.

Notable Transaction








July 2022

FastPace Health, a provider of outpatient healthcare services to rural communities, partnered with First Care Clinics to expand its clinical footprint and increase access to care for underserved rural populations. First Care provides quality care to patients in the southeastern Indiana and northwestern Kentucky regions.

The acquisition results in a multi-specialty provider of rural healthcare, providing care to a network of over 200 clinics and over three million annual patient visits across six states, including deepening its reach Indiana and Kentucky.

Select Transactions:

Month	Acquirer	Target	Deal Description
August			Next Level Urgent Care has increased its presence in the Houston area by acquiring three clinics previously owned by Northeast Urgent Care in Humble, TX. The acquisition is part of Next Level's strategic growth initiative to double the number of its locations by the end of 2022. Next Level Urgent Care treats approximately 600,000 patients every year across the Houston area.
July			AmeriPro Health acquired CareMed EMS, an emergency and non-emergency ambulance service provider serving Mississippi and Tennessee. Through the transaction, AmeriPro Health significantly increases its presence and capabilities in the Southeast.
July			WellNow Urgent Care, one of the country's fastest growing urgent care providers, has completed the strategic acquisition of Physicians Immediate Care, a Midwest leader in urgent care and occupational health services. WellNow currently operates 128 centers across New York, Illinois, Ohio, Indiana, and Michigan. Established in Big Flats, New York in 2012, The acquisition represents its fourth acquisition since 2018, helping to fuel a period of rapid growth for WellNow.

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Q3-2022 Gastroenterology Update

Market Update

Despite continuing economic uncertainty and recessionary risk, the Gastroenterology sector has been active with M&A activity and interest from the Private Equity Community.

Q3 2022 was characterized by continued add-on acquisitions from existing private equity backed platforms as well as a large PE-backed exit. Waud Capital exited their position in GI Alliance through a transaction with Apollo Global Management alongside GI Alliance management and physicians. This marks the second time this has occurred in Gastroenterology – the first PE exit to occur was Gastro Health’s sale to Omers in May of 2021. This is significant as it shows that as the existing PE platforms continue to scale, there will be an active set of buyers to facilitate the next phase of growth for these businesses.

This quarter Provident closed its seventh transaction in Gastroenterology (DCDC detailed on the right) making our firm a leading M&A advisor to Gastroenterology practices.

Notable Transaction









September 2022

Delaware Center for Digestive Care (DCDC) is the largest provider of GI services in the state of Delaware and serves patients across three locations with a team of over 20 providers. The group chose to partner with US Digestive Health (USDH), a portfolio company of Amulet Capital Partners.

This transaction represents the first move into a new state for USDH and marks the first PE-backed GI deal completed in the state of Delaware. This supports the growing trend of consolidation throughout the US and shows that PE-backed platforms continue to be hungry for strong regional groups that have remained independent.

Provident was the exclusive financial advisor to DCDC in this transaction.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
August		 <i>Skilled, experienced, top-quality care... close to home.</i>	4	2	Pennsylvania
September			7	1	Virginia
September			700+	200+	14 States TX, AR, AZ, CO, FL, IL, IN, KS, LA, MS, MO, OK, UT, WA

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Q3-2022 Healthcare Education Update

Market Update

Despite a turbulent market in Q3, the healthcare education sector exhibited robust M&A activity with both platform creation and meaningful add-on acquisitions. Continuing education add-ons drove activity within the sector with an emphasis on expanding existing platforms' services into additional clinical specialties. Life sciences training and communications also propelled deal flow with two new platforms by Renovus Capital and Windrose Health Investors. Given the countercyclicality of the sector, Provident anticipates continued investor appetite in healthcare education throughout 2022, regardless of broader market performance.

Notable Transaction



July 2022

In July 2022, Renovus Capital Partners announced the creation of a platform through the merger of MC3 and Curtis Learning. Headquartered in Philadelphia, the new life sciences platform combines Curtis Learning's scientific training agency with MC3's custom training events services. The investment by Renovus demonstrates sponsors' continued conviction in the life sciences training and education space.

Select Transactions:

Month	Acquirer	Target	Deal Description
September			EMT & Fire Training Inc., a premier national supplier of high-quality emergency medical services and educational programs, has been acquired by KnowFully, the NexPhase Capital platform and a leading provider of continuing professional education. The acquisition further expands KnowFully's presence within the pre-hospital market.
August			Airway Health Solutions (AHS) and Team Myo recently merged, creating a leading comprehensive myofunctional therapy education platform. The merger bolsters AHS's course offerings and increases opportunities for myofunctional therapy in dental offices and private practices.
July			WindRose Health Investors has recapitalized Revhealth, a provider of omnichannel healthcare communications with a focus on medical and patient education. RevHealth is well-positioned to grow by leveraging WindRose's extensive pharmaceutical services experience.
July			Leeds Equity Partners announced the sale of its portfolio company, Amplifire, a leading eLearning provider of cognitive science-based assessment and training, to the Polaris Growth Fund. Amplifire provides eLearning training services to healthcare, higher education, and corporate clients to prevent errors and reduce inefficiencies.
July			Clinical Education Alliance (CEA), a portfolio company of The Riverside Company, announced its acquisition of Rockpointe Corporation, a premier healthcare education company and provider of accredited continuing education programs. The acquisition expands CEA's primary care service line.
July			US HealthConnect, a portfolio company of Morgan Stanley Capital Partners, recently acquired Evolve Medical Education, a developer and distributor of continuing education activities. Evolve Medical Education strengthens US HealthConnect's service lines for ophthalmology and other clinical areas, such as cardiology, dermatology, and neurology.

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Q3-2022 Healthcare IT Update

Market Update

Despite recent macro conditions affecting the overall market, Healthcare IT continues to demonstrate robust M&A activity as investors seek to align with businesses offering health solutions to support provider groups and take advantage of increased focus on digital health, trends towards population health management, and implications for VBC. The space will further benefit as macro conditions cause further consolidation, sophisticating infrastructure and positioning organizations for enhanced VBC capabilities.

Provident in the News: Dustin Thompson was quoted in Middle Market Growth "[Finding Value in Healthcare](#)" which discussed the increased attention investors have been placing on opportunities within the value-based care and healthcare IT verticals.

Select Transactions:

Month	Acquirer	Target	Target:	
			Business Segment	Headquarters
July			Project Management	Luling, LA
July			Digital Information Systems	New York, NY
July			Analytics and Business Intelligence	Herndon, VA
August			Consumer Health Engagement	New York, NY
August			Analytics and Business Intelligence	Wheaton, IL
August			Project Management	Incline Village, NV
September			Healthcare Reimbursement Management	Plano, TX
September			Revenue Cycle Management	Lake Mary, FL
September			Project Management	Chicago, IL

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Q3-2022 Healthcare Staffing Update

Market Update

Despite an uncertain macroeconomic environment, normalization of bill rates, and nurses transitioning to permanent positions, M&A activity in the travel nurse vertical continued in Q3 2022, with several new private equity platforms and add-on acquisitions. Investors remain attracted to the long-term tailwinds such as a thin pipeline resulting from a shortage of nurse professors, an aging nurse population, and nurses leaving the profession due to burnout.

Sellers seeking M&A opportunities to either exit their ownership positions or find a strategic partner to drive growth are positioned to benefit from this continued investor interest and a growing community of well-financed, growth-oriented buyers.

Notable Transaction



*Has been recapitalized
by*

One Equity Partners

September 2022

Prime Time Healthcare, a leading provider of travel, per diem, temporary to permanent, and permanent nursing services, received a strategic investment from private equity sponsor, One Equity Partners.

The Company has established itself as a leading provider of nurse staffing services and is differentiated through serving different end markets and professionals (RNs, LPNs, CNAs, and allied professionals).

Select Transactions:

Month	Acquirer	Target	Deal Description
September			MSouth has acquired Chicago-based Medix, who provides staffing solutions across care management, allied and clinical, revenue cycle, and insurance verticals. The acquisition creates a new platform in the sector.
September			All Medical Personnel acquired Ethika Group, a Dallas-based therapy staffing provider, which staffs physical therapy, occupational therapy, respiratory therapy, and speech language pathologists. The partnership allows All Medical Personnel to further diversify its locum tenens and travel nurse business units.
July			RC Capital Partners acquired OnCall Staffing Solutions, a moonlight provider of physician, physician assistant, and nurse practitioner staffing solutions.
July			Medical Solutions, a portfolio company of Centerbridge Partners and CDPQ, has partnered with Matchwell, a marketplace and SaaS solution. Matchwell connects licensed and certified professionals with healthcare organizations, with end markets including acute care facilities, skilled and assisted living facilities, home health, and schools.

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Q3-2022 Home Health & Hospice Update

Market Update

The potential partners universe continues to expand and diversify with increased interest in home-based care services from investors of all types. Healthcare organizations in adjacent verticals remain bullish on capturing the continuum of home-based care services, evident by the Walgreens/CareCentrix and CVS Health/Signify Health transactions. While CVS ultimately won the bid for Signify, groups such as Amazon and UnitedHealth were aggressive suitors in the process indicating a continued intent to vertically integrate offerings in an attempt to capture synergies and growth through value-based care offerings.

The entrance of these larger players to the home-based care space, combined with continued interest from existing consolidators, has resulted in valuations remaining at elevated levels, despite some of the challenges seen in the public markets.

Notable Transaction










GHC Hospice ("GHC") a leading hospice care provider in Georgia and South Carolina, has been acquired by Agape Care Group, a portfolio company of Ridgemont Equity Partners.



GHC is a leading hospice care provider serving 25 counties in Georgia and South Carolina with a reputation for superior clinical excellence. Agape provides services to 3,600 patients across South Carolina, Georgia, and North Carolina. This transaction enabled GHC to partner with an organization that shares the same values and quality care standards and positions the combined organization as a market leader in the southeast.

Provident Healthcare Partners served as the exclusive financial advisor to GHC Hospice.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
October			3	IN	St. Croix Hospice, a portfolio company of H.I.G. Capital, purchased Adaptive Hospice from Help at Home, a company backed by private equity firms The Vistria Group and Centerbridge Partners.
September	DTRT Health Acquisition Corp.		36	Nationwide	DTRT Health Acquisition Corp, a special purpose acquisition company, agreed to take Consumer Direct Holdings, a leading national home care provider with over 75,000 clients, public for \$681 million which is approximately 10.1x projected pro forma EBITDA.
September			7	Nationwide	CVS Health agreed to purchase Signify Health for \$8 billion, amounting to \$30.50 per share in cash. The transaction will lay the foundation for future expansion for CVS in home-based health care.
September			7,400	Nationwide	The Walgreens Boots Alliance completed its acquisition of a majority share in CareCentrix, a home-based care technology platform with 19 million members, for \$330 million.
August			775	Nationwide	Clayton, Dubilier, and Rice completed its acquisition of Kindred at Home from Humana for \$2.8 billion. The reconstructed platform company will be renamed Gentiva.

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Q3-2022 Laboratory & Diagnostic Services Update

Market Update

Recent macroeconomic factors have led to a slight decline in M&A activity and public company performance throughout the healthcare industry. Despite these trends, the laboratory and diagnostic services sector has demonstrated steady growth and persistent deal flow as consolidation continues its break-neck pace. The increasing burden of chronic diseases and the growing demand for early-capture diagnostic tests remain significant market drivers. Prominent strategic players continue to compete for market share by way of acquisitions as demonstrated by ACT Laboratories' acquisition of CDX Analytics and Labcorp's purchase of RWJBarnabas Health's laboratory division.

Lab and Dx Services Trading Multiples

Company	Ticker	EV	Revenue	EBITDA	EV/REV	EV/EBITDA
LabCorp	LH	\$24B	\$15.7B	\$3.6B	1.55x	6.71x
Quest Diagnostics	DGX	\$19B	\$10.6B	\$2.6B	1.76x	7.24x
Eurofins	ERFSF	\$15B	\$7.7B	\$1.7B	1.90x	8.49x
Hologic	HOLX	\$17B	\$5.2B	\$2.4B	3.25x	7.13x
Exact Sciences	EXAS	\$8B	\$1.9B	-\$531.8M	3.93x	n/a

Select Transactions:

Month	Acquirer	Target	Deal Description
July	 LabLogistics	 Print • Kit • Mail • Fulfill	Lab Logistics Management, a leading provider of outsourced medical supplies, kitting and logistics services to the healthcare industry and portfolio company of Atlantic Street Capital, announced today the acquisition of The Allied Group, a leading fulfillment services provider offering printing, kitting, and mailing services to healthcare and life science organizations worldwide
August	 labcorp	 Lab Services Business	Labcorp, a leading global life sciences company, today announced that it has closed its acquisition of RWJBarnabas Health's outreach laboratory business and select related assets. RWJBarnabas Health is New Jersey's largest academic health system
July	 PathAI		PathAI, a global provider of artificial intelligence-powered technology for pathology, announced their acquisition of Poplar, the management service organization for Poplar Healthcare PLLC, an industry-leading independent anatomic pathology laboratory services provider
September	 ACT Laboratories		ACT Laboratories, Inc., a leading lab testing company in the legal cannabis and hemp markets, today announced an agreement to acquire CDX Analytics, LLC of Massachusetts to continue its geographic expansion and extend its scientific leadership
September	 everlywell		Everlywell, a leading digital health company, has acquired PWNHealth and Home Access Health Corporation and formed parent company Everly Health, the company announced today. Together, the combined companies support more than 20 million people annually in all 50 U.S. states, Canada, and Puerto Rico

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Q3-2022 Mental Health & Addiction Treatment Update

Market Update

The mental health and addiction treatment sector has demonstrated a slowdown in deal activity throughout Q3 2022, in line with most other healthcare sectors. Even though volume has been down, private equity-backed companies remain interested in growing via M&A and will drive more dealmaking into the fourth quarter. New legislation at the federal, state, and local levels has provided more funding to support behavioral healthcare treatment, which has increased investor interest as well.

Sellers seeking M&A opportunities are well positioned to reap the benefits of steady consolidation within the space as competition for add-ons continues to heat up.

Select Transactions:

Notable Transaction



August 2022

Revelstoke Capital Partners, a Denver-based private equity firm, acquired Monte Nido & Affiliates, an eating disorder treatment provider with 45 facilities across 15 states.

Revelstoke's platform investment comes at a critical juncture as the United States' overall mental healthcare requirements and demand for eating disorder therapies continue to rise. Revelstoke will assist in growing Monte Nido's footprint and service offerings.

Addiction Treatment Transactions

Month	Acquirer	Target	Deal Description
September			Pathway Healthcare, now with 18 outpatient locations across 6 states, has acquired Innovation360, based in Dallas, Texas. The acquisition bolsters Pathway's online counseling program.
August			Discovery Behavioral Health, Inc., an expanding network of evidence-based mental health, substance use and eating disorder treatment centers, has acquired Brookdale Premiere Addiction Recovery, a 110-bed residential treatment center in Scotrun, PA,
July			Brightview Health has acquired Column Health a provider of virtual and in-person medication-assisted treatment and psychotherapy services to about 2,200 patients and operates 11 locations
July			Spero Health, a leading national outpatient addiction treatment company, has acquired My Turning Point, a Kentucky-based addiction treatment company with 4 clinic locations.

Mental Health Transactions

Month	Acquirer	Target	Deal Description
September			ARC Health, a Thurston Group portfolio company, has announced the acquisition of Southeast Psych, a premier mental health provider group with two locations in Charlotte, NC, and one in Nashville, TN
September			MindCare Solutions Group Inc. acquired telehealth and on-site mental health provider Psych360 for an undisclosed sum. The deal, gives MindCare Solutions Group telehealth and on-site mental health services in the long-term care facility space
August			The Vistria Group, one of the largest healthcare-focused private equity groups in the country has invested \$200M in SandstoneCare a youth-focused mental healthcare provider

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Q3-2022 Ophthalmology Update

Market Update

Deal flow within the eyecare space continues to be robust, primarily driven by regional tuck-in deals and density-building add-on acquisitions. Most private equity-backed platforms are approaching five-years into their hold period with their respective equity partners and are likely gearing up for an exit, which has added to the strong appetite for dealmaking in 2022. Shore Capital's sale of EyeSouth Partners is one of many secondary deals that Provident expects to trade in the next six to twelve months.

Even with rising interest rates and recessionary pressures, Provident expects deal activity and valuation levels to remain high, given the noncyclical nature of most ophthalmic services and pronounced supply and demand imbalance in the space.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
September	 OLYMPUS PARTNERS	 EYESOUTH PARTNERS	155	270	AL, FL, GA, IL, KY, LA, NC, OH, PA, TN, TX
September	 EYESOUTH PARTNERS	 RALEIGH OPTHALMOLOGY, PC	3	12	NC
September	 PANORAMA EYECARE	 EVERGREEN Vision Clinic, PC  20 Vision Center	2	4	CO
September	 EYESOUTH PARTNERS	 Arbor  Chicago Eye Institute	9	22	IL
September	 EYECARE PARTNERS, LLC	 Corrective Eye Center  NOVUS clinic	26	18	OH
August	 OCLI VISION	 NY Vision Group	3	10	NY
August	 RETINA CONSULTANTS OF AMERICA	 AUSTIN RETINA ASSOCIATES	15	10	TX
August	 UNIFYEYE VISION PARTNERS	 Regional Eye Center	1	4	MN
July	 PRISM Vision Group®	 CENTRAL MARYLAND EYE ASSOCIATES	2	4	MD
July	 EYE HEALTH AMERICA	 Bradenton Eye Clinic	4	12	FL
July	 EYECARE PARTNERS, LLC	 Commonwealth Eye Care Associates	2	8	VA
July	 OCLI VISION	 ROCKLAND EYE PHYSICIANS & SURGEONS	2	5	NY

Provident Q3 Transaction



September 2022

"It's been a pleasure working with Provident. They guided us from the pre-marketing material to the final day of the sale and represented us well in all aspects and stages of the process. The Provident Team was available 24/7 to address all our questions and concerns; their commitment to our satisfaction was paramount. We are grateful for their expertise and experience that culminated in an efficient transaction with a great partner to ensure our continued success."

- Paul Riske, MD,
President of Raleigh Ophthalmology

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Upcoming Conference

Members of the Provident Healthcare Partners vision care coverage team will be attending the Caribbean Eye conference in February 2023

Q3-2022 Payor Services Update

Market Update

The past quarter showcased a steady flow of transactions in the payor services sector, with interest primarily from strategic consolidators. Provident believes in the near term that more private equity funds will form payor services platforms.

Provident expects an uptick in private equity interest in the payor services sector, evidenced by NMS Capital, a leading private equity sponsor in healthcare services, partnering with Pat Rowland. Ms. Rowland is joining the fund's operating executive council specifically to help identify, partner with, and build payor services businesses. She will bring over 30 years of industry expertise to NMS Capital as it looks to invest in the payor services sector.

Notable Transaction









August 2022

Mollie Kallen Case Management (MKCM) has a national presence providing medical field and telephonic workers' compensation case management, and catastrophic case management for the workers' compensation industry.

With the addition of MKCM to its portfolio, IMA further expands its national case management services in its rapidly growing Payer Services division. IMA continues its mission to provide highly personalized client, employee focused, and results-oriented case management services. This marks IMA's fourth acquisition of the year.

Select Transactions:

Month	Acquirer	Target	Deal Description
September	 prescriptive™	 NWPS NORTHWEST PHARMACY SERVICES	The acquisition accelerates Prescriptive's market penetration and expands access to Prescriptive's blockchain-powered mobile solution, bringing convenience, transparency, choice, and control over prescription drug pricing.
July	CLAIMLOGI 	 SYTRUE Data Driven Healthcare	SyTrue is the pioneer in healthcare natural language processing technology, creating a seamless and cohesive solution for clinical, coding and medical record reviews. The acquisition will empower health plans to leverage SyTrue's technology to transform data into actionable insights to deliver more effective and accurate payment integrity programs.
July	 PES	 ALLYHEALTH	PES, an employee benefits technology, administration and education company, has acquired AllyHealth. AllyHealth seeks to improve health and wellness for health plan members, increase productivity, decrease healthcare costs, and enhance benefits plans with industry leading engagement and utilization.
August	zelis	 PayerCompass part of Zelis.	Zelis, a leading healthcare payments and pricing company, entered into a definitive agreement to acquire Payer Compass. Payer Compass works with health plans to reprice more than \$200 billion in claims, generate more than \$1.5 billion in annual savings, and serve more than 10 million lives.

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Q3-2022 Pharmaceutical Services Update

Market Update

Despite an uncertain macroeconomic environment, recessionary fears, and the impact of rising interest rates, M&A activity in pharma services continued at a strong pace in Q3 2022, mostly led by add-on acquisitions to existing platforms. Investors remain attracted to the long-term tailwinds driving growth across outsourced pharma services including reducing costs, technological advancements, access to value-added specialty services.

Sellers seeking M&A opportunities to either exit their ownership positions or find a strategic partner to drive growth are positioned to benefit from this continued investor interest and a growing community of well-financed, growth-oriented buyers.

Notable Transaction



July 2022

QHP Capital, the management company for NovaQuest Private Equity, acquired Lexitas Pharma Services, a full-service ophthalmology contract research organization (CRO) supporting biopharmaceutical and medical device clinical trials.

The new partnership with QHP brings deep expertise and domain knowledge that is going to allow Lexitas to improve and increase the scope, quality, and efficiency of its capabilities.

The rising prevalence of eye-related disorders is expected to fuel ophthalmic research.

Select Transactions:

Month	Acquirer	Target	Commentary
September	 		MedPharmics was acquired by Velocity Clinical Research and its financial sponsor, GHO Capital, through an LBO in September. The additional sites give Velocity recruitment capabilities in new U.S. states, spanning from the Southeast to Southwest, and access to patients from diverse groups, including African Americans & Native Americans—a critical challenge in clinical research
September	 		C3 Research Associates was acquired by Avance Clinical, via its financial sponsor The Riverside Company, through a ~\$40M transaction in September. The acquisition will enable biotech clients a seamless journey from early phase to later phase studies.
August	 		Meridian BioGroup was acquired by Pace Life Sciences and its financial sponsor, Leonard Green & Partners, through an LBO transaction in August 2022. Meridian adds strategic services to Pace's portfolio to further help clients with regulatory guidance and strategy and maintain biopharmaceutical operations and quality management systems that meet regulatory requirements.
July	 		Examoto was acquired by United BioSource, via its financial sponsors Northwood Healthcare Partners, Constitution Capital Partners and Avista Capital Partners, through an LBO in July. This strategic combination will encourage efficiency, quality, creativity, and synergy across the various workflows and will provide sponsors with a single point of responsibility for their clinical programs.

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Q3-2022 Pharmacy & Infusion Services Update

Market Update

In Q3-22, healthcare providers continue expanding upon their home infusion service lines as site-of-care strategies grow in importance. The COVID-19 pandemic increased demand for home-based care, boosting growth in the home infusion therapy sector. Home infusion therapy offers various benefits including that they are convenient, cost-effective, offer better outcomes, and have higher safety standards.

Provident anticipates that deal flow will remain high as healthcare systems continue to invest in home infusion service lines.

Sellers seeking M&A opportunities to either exit their ownership positions or find a strategic partner to drive growth are positioned to benefit from this continued investor interest and a growing community of well-financed, growth-oriented buyers.

Notable Transaction



June 2022

The company, a subsidiary of Centene, was acquired by General Atlantic, Vistria Group, and Nautic Partners through an estimated \$1.42 billion LBO on July 14, 2022.

PANTHERx Rare transforms lives by delivering medical breakthroughs, clinical excellence, and access solutions to patients afflicted with rare and devastating conditions

The acquisition focuses on accelerating the company's continued growth as a premier and trusted pharmacy care delivery model for patients living with rare and orphan diseases.

Select Transactions:

Month	Acquirer	Target	Commentary
June			Assured Healthcare Partners acquired California Specialty Pharmacy, a specialty infusion pharmacy focused on managed care. Founded in 2008 and based in Whittier, CA, the Company has grown to support over 10,000 patients and 2,600 referring providers in its core markets across a number of therapeutic areas.
July			The company was acquired by Terrapin Pharmacy, via its financial sponsor WindRose Health Investors, through an LBO in July. With this acquisition, the company expands its footprint in Pennsylvania, creating a leading behavioral health pharmacy platform in the Mid-Atlantic. Provident acted as the exclusive financial advisor to Ganse Apothecary.
September			Private equity-backed Vivo Infusion acquired Infusion Center of Pennsylvania, the largest non-hospital infusion provider in the greater Philadelphia region. The acquisition will expand Vivo Infusion's footprint into Pennsylvania and New Jersey, creating 30 ambulatory infusion centers throughout seven states.

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Q3-2022 Physician Services Update

Market Update

Physician services transactions have continued at a strong pace in the third quarter of 2022, with a greater focus on larger consolidation plays. Major players are looking to expand their hold on regions and verticals as macro conditions continue to fluctuate. Provident expects deal volumes to stay consistent at the current rate with established platforms deploying capital in safer transactions with premium patient bases and established provider rosters.

Notable Consolidator



United Musculoskeletal Partners (UMP), backed by Welsh, Carson, Anderson & Stowe (WCAS), announced in July its merger with Novum Orthopedic Partners to form one of the premier physician-owned orthopedic platforms in the country. UMP also acquired Denver-based Panorama Orthopaedics, further growing its physician and geographic footprint.

These string of acquisitions grows UMP to nearly 190 physician partners and 320 total providers across an expanded geographic footprint including Colorado, Georgia, and Texas.

2022 Transactions Overview


Vertical	Q1	Q2	Q3	YTD	
Anesthesia	3	1	1	5	Q1'22 deal count outpaced subsequent quarters due to the high number of deals carried over from EOY 2021.
Cardiology	3	0	0	3	
Ear, Nose & Throat (ENT)	3	0	1	4	Q2 & Q3'22 showed a normalized level of transaction activity, which is expected to continue going forward.
Orthopedics	6	5	4	15	
Radiology	6	2	0	8	Orthopedics & Women's Health have been the most active sectors from a consolidation perspective in 2022.
Women's Health / OBGYN	8	2	3	13	
Urology	4	1	2	7	
Total Deal Count	33	11	11	55	

Select Transactions:

Anesthesia					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
September			23	2	TN
Ear, Nose & Throat (ENT)					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
September			60+	19	UT
Women's Health / OBGYN					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
September			1	1	NY
August			2	3	IL
July			17	6	WA

Q3-2022 Physician Services Update (Cont.)

Urology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
September			4	8	IN
July			15	8	LA

Orthopedics					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
August			14	5	MS
August			8	1	VA
July			n/a	8+	TX
July			65	8	CO

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Q3-2022 Primary Care Update

Market Update

Primary care continued to be one of the most active healthcare services subsectors amidst the flurry of consolidation activity in Q3 spanning private equity investors, strategic acquirers, and other investors seeking to capitalize on the shift towards value-based care.

Amazon's \$3.9 billion acquisition of One Medical, CVS's planned acquisition of Signify Health, and the creation of several new private equity platforms (e.g., Kain Capital's recapitalization of MY DR NOW) demonstrate the growing investor appetite to partner with organizations that are well-positioned to capitalize on growing prevalence of value-based care models, digital health, and other innovative care delivery models. Provident expects M&A activity to continue to accelerate in the sector.

Notable Transaction



In July 2022, Amazon completed a landmark transaction in the value-based primary care space via its acquisition of One Medical, a provider concierge primary care services, in a \$3.9 billion transaction. The deal represents a milestone in the push towards more convenient, cost-effective value-based care models.

The ripple effects from this transaction have already been felt across the industry as other strategic entities seek to align with value-based care operators to capitalize on the ongoing shift towards risk-based care models.

Select Transactions:

Month	Acquirer	Target	Transaction Notes
September			CVS announced its acquisition of home health & tech services provider Signify Health in an \$8.0bn landmark transaction
August	 KAIN CAPITAL		Kain Capital acquired MY DR NOW, an Arizona-based primary and specialty care practice with 80+ providers across 13 locations
August			Pine Tree Equity made an investment in Premier Physician Support Services, a Miami, FL-based practice overseeing 30,000+ Medicaid & Medicare members
July			Amazon acquired value-based primary care provider One Medical in a \$3.9bn transaction

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Q3-2022 Rehabilitation Update

Market Update

Investor interest remains high in the rehabilitation sector despite macro-economic concerns surrounding rising interest rates, inflationary pressures, and threats of a recession. As the public markets continue to soften, investors are pivoting towards alternative investment vehicles to achieve outsized returns. Within the healthcare services space, physical therapy continues to be a high priority target for investment from both private equity investors and strategic consolidators. In addition to having strong demographic tailwinds, investors are recognizing the value that physical therapy has as a first step treatment option in a market with rapidly growing expenditures associated with MSK disorders. As the healthcare reimbursement landscape continues to shift towards value-based payment models, physical therapy will play a vital role to contain cost for MSK episodes of care. As a result, Provident expects to see investor interest, competition, and valuations remain elevated in the physical therapy sector.

Notable Transaction

Company	EBITDA	EV / Rev	EV / EBITDA
U.S. Physical Therapy	\$83	2.68x	15.12x
Acadia Healthcare	\$563	3.59x	15.6x
Encompass Health	\$1,060	1.65x	8.19x
HCA	\$12,360	1.67x	8.14x

As of 10/12/2022

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
September		Not Disclosed	6	PA, WV	USPH acquired a six-clinic physical therapy practice with locations in West Virginia and Pennsylvania. The purchase price for the 70% equity interest was approximately \$3.5 million. The practice generates more than \$2.5 million in annual revenue and has approximately 26,000 patient visits per year.
July			6	OK	Athletico Physical Therapy acquired Action Physical Therapy and Rehabilitation, expanding the company's presence into central Oklahoma.
July			9	MI	Athletico Physical Therapy has acquired Crossroads Rehabilitation, a premier practice that specializes in physical and occupational therapy, along with sports injuries.
July			2	PA	Confluent Health, a portfolio company of Partners Group, has acquired Drescher Physical Therapy, a therapist owned practice with 11 providers and two locations.
July		Complete OT and OTA Services	1	NY	Professional Physical Therapy has acquired Complete OT and OTA Services in NY. This transaction will expand upon Pro PT's leading network of certified hand therapists in the Northeast.

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Q3-2022 Private Equity Update

Commentary

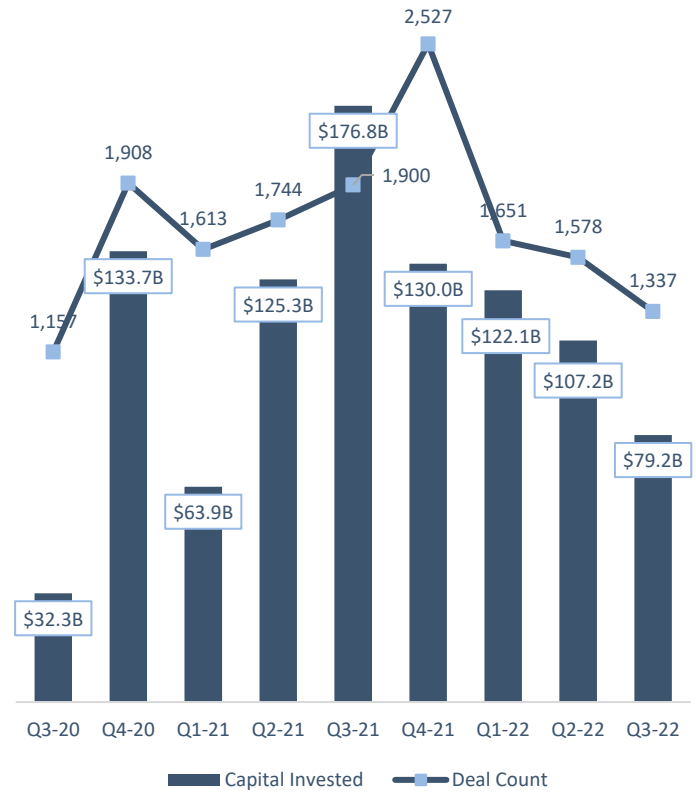
Healthcare PE activity displayed impressive resiliency in Q3-22. Healthcare services are perceived as acyclical, as payors and the nondiscretionary behavior of healthcare somewhat insulate PPMs and other providers from radical changes in consumer spending. However, transaction volume and capital invested in Q3-22 continued to decline. Private equity firms still hold an abundant amount of capital, but velocity in which funds are deploying capital has slowed.

PE exits have also fallen off 2021 highs, owing part to rewarding and eager IPO markets and competition from SPACs. Heightened deal volume in 2021 was also driven by fears of a long-term increase in capital gains which led investors to exit portfolios at an elevated pace. However, platforms that have displayed both clinical and operational excellence are still being rewarded in the market through competitive processes and buyers still willing to give credit for various PF EBITDA adjustments.

Staffing shortages have also pinched most healthcare services organizations, consequently increasing costs, shrinking margins, and debilitating growth. Furthermore, valuation multiples have started to plateau or reverted to 2019 levels but have still displayed incredible resiliency compared to its CPG and technology counterparts.

Healthcare PE investors remain cautiously optimistic that deal activity in the lower/middle market will remain stable despite macro headwinds.

Private Equity Investment & Deal Count



Q3-2022 Healthcare Private Equity Snapshot⁽¹⁾

Transactions
131+

Healthcare transaction volume continues to dip from the prior quarters, from 175+ in Q2-22 to 131+ in Q3-22. Valuations are starting to plateau across several services verticals, and overall M&A activity continues to slow down. Inflation, rising interest rates, and fears of a recession are all hindering factors on overall M&A activity.

PE Exits
23+

Several notable PE exits occurred in Q3-22 including Monument Micro Cap's exit of Montgomery DME to Incline Equity Partners. Shore Capital also exited EyeSouth which was acquired by Olympus Partners, which valued the vision care platform at ~\$1B.

Investors
168+

The diverse investor and acquirer base highlights how sectors across the healthcare spectrum remain active and ripe for consolidation. Record levels of capital were raised in the last 24 months, and investors are mandated to deploy that capital, regardless of the macroeconomic headwinds.

Capital Invested
\$6.5B

The drop in transaction volume in turn impacted the capital invested, dipping from previous quarters. This is also likely attributed to outsized deal activity in 2021 as a result of potential capital gains increase and pent up COVID demand. Inflation, higher interest rates, and other market trends are factors contributing to the cash burn rate from smaller PE-backed companies.

Largest Deal
\$2.8B

Kindred at Home, is a leading provider of hospice, palliative, community and personal care. The business was acquired by Clayton, Dublier, & Rice through an estimated \$2.8B LBO in Aug-22.

Top Investors by Deal Count











NMS | CAPITAL



Sources:
1. PitchBook Data as of 10/11/2022.

Q3-2022 Private Equity Update (Cont.)

Select Q3-2022 Transactions

Month	Acquirer	Target	Commentary
July	 		Ganse is a Lancaster, Pennsylvania-based closed-door long-term care and specialty pharmacy that provides value-added distribution services to patients suffering from severe and persistent mental illness and intellectual and developmental disabilities (IDD)
August			Montgomery DME, a provider of durable medical equipment on a rental basis to hospices throughout Southern California, received an investment from Incline Partners. Incline believes there is significant expansion through bolstering the MDME's sales capabilities and exploring logical add-on targets.
September	 		GHC Hospice is one of the premier hospice providers in the Southeast, with local access to Georgia and South Carolina through six office locations. Agape Care Group serves 3,600 patients across South Carolina, Georgia and North Carolina, making GHC a complimentary add-on and bolsters Agape's footprint in the region.
September			EyeSouth Partners, a comprehensive ophthalmology management services organization platform, received an investment from Olympus Partners, a Stamford, CT-based private equity firm. The transaction is rumored to have valued EyeSouth in the zip code of \$1B. Since Shore Capital's initial investment in 2017, EyeSouth locations have grown to over 155 locations throughout Georgia, Texas, Louisiana, Florida, Tennessee, Ohio, Kentucky, Pennsylvania, Alabama, North Carolina and Illinois.

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

155+

Healthcare Deals Closed

75+

Physician Deals Closed Since 2014

28

Investment Banking Professionals

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Concluding Thoughts

Healthcare services M&A activity in Q3 2022 saw the continuation of trends from Q1 & Q2. Year-to-date activity totals over 770 closed transactions representing more than \$58 billion in invested capital. Recovery from the pandemic, technological advancements, and evolving reimbursement models are driving consolidation for both physician practices and other healthcare services companies.

Home health continues to lead the number of closed transactions this year as a result of highly acquisitive private-equity backed platforms in the space and the increased demand for quality talent. Provident anticipates continued add-on activity as well as successful exits by these expanding platforms.

Several sub-sectors also saw strong deal activity in Q3, with dental, cardiology, and mental health all recording double digit transaction closings. Provident anticipates both private equity exits and consolidation trends in these sub-sectors to continue through the remainder of 2022.

As fears of a recession loom amid a significantly more volatile and unpredictable environment, investors turned towards safer,

more secure assets to curb potential downside risk. While public markets are subject to overall macroeconomic factors, private equity retains a modicum of protection. This, paired with the fact private equity on average outperforms the market over any period, leads Provident to believe there will be a significant pick up in fundraising over the coming months.

While the dealmaking environment in 2022 has stabilized relative to the record-breaking deal flow seen in 2021, the third quarter of 2022 has seen a steady continuation of the trends seen earlier in the year, indicating a sustained commitment to the sector by the investor community. While investment volume tapered slightly, Q3 2022 showed that impending macroeconomic factors such as interest rate hikes, high levels of inflation, and politic turmoil, should not substantially slow overall deal count especially in the lower middle market and middle market. Provident expects investors to spend more time and resources evaluating assets in the healthcare services sector over the remainder of 2022.



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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