

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 2022



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Q4-2022 Market Update: Healthcare Services M&A Activity Flattens but Remains Attractive



Following a record-breaking year in 2021, healthcare services deal volume normalized to a still healthy pace in 2022. While both deal count and capital raised have experienced a decline in the past quarter, the healthcare services industry remains an opportunistic market to hedge against inflation and recession driven volatility in the macroeconomic environment. For example, multiple sectors, including mental health and orthopedics, have experienced an increase in transaction activity compared to Q3 2022, which reflects investors' continued interest in capitalizing on industries with strong, sustainable patient demand.

Rising interest rates and persistent inflation have slowed the buyer friendly debt markets that elevated returns for private equity investors in prior years. This tightening debt markets are expected to slowdown leveraged buyouts of the most significant scale, while middle market add-on activity in particular is expected to continue as private equity firms focus on portfolio company growth in lieu of exits. As we look ahead to 2023, Provident expects transaction volume to increase in the latter half of the year as the macroeconomic outlook steadies and investors adapt to the go-forward economic conditions, including the acceptance of higher leverage rates and/or by over-equitizing their investments.

Notable Healthcare Services Transaction in Q4-2022

EMS	Healthcare Education	Payor Services	RCM
<p>Summit Health CityMD</p> <p>Has been recapitalized by</p> <p> VillageMD</p>	<p>SPEAR</p> <p>Has been acquired by</p> <p>AVISTA CAPITAL PARTNERS</p>	<p> Kepro</p> <p>Has merged with</p> <p> CNSI</p> <p>A portfolio company of</p> <p>THE CARLYLE GROUP</p>	<p>CHANGE HEALTHCARE</p> <p>Has been acquired by</p> <p>Optum</p>

Select Provident Q4-2022 Transactions

Cardiology	Deal Notes
<p><i>Southwest</i> Cardiovascular Associates</p> <p>Has partnered with</p> <p> CARDIOVASCULAR ASSOCIATES OF AMERICA</p> <p>A portfolio company of</p> <p> Webster Equity Partners</p>	<p>Provident served as the exclusive financial advisor to Southwest Cardiovascular Associates ("SWCVA") in its partnership with Cardiovascular Associates of America ("CVAUSA"), a portfolio company of Webster Equity Partners. SWCVA provides interventional and diagnostic cardiology services throughout its three-location footprint in the Arizona market in addition to an ambulatory surgery center focused on endovascular care and two cardiac catheterization labs.</p> <p>Headquartered in Orlando, Cardiovascular Associates of America aims to bring the best cardiovascular physicians into one network with the common mission of saving lives, reducing costs, and improving patient care through clinical innovation. Through CVAUSA's physician-centered cardiology practice management model, physicians drive clinical care and their practice culture, while benefitting from the business expertise and resources available through CVAUSA.</p>
Interventional Pain Management	Deal Notes
<p> Commonwealth PAIN & SPINE Treating You to A Better Life.</p> <p>Has completed a recapitalization with an undisclosed investor</p>	<p>Provident advised Commonwealth Spine & Pain ("Commonwealth") in their recapitalization with an undisclosed investor. Commonwealth seeks to improve the lives of its patients by respecting their pain and by passionately delivering to them only the most innovative, safe, responsible and clinically proven pain relief care.</p> <p>With 60 providers and 16 clinics across Kentucky and Indiana, Commonwealth was one of the largest independent interventional pain groups in the United States. The transaction marks the most recent in a flurry of renewed private equity platform investment in the pain management sector.</p>

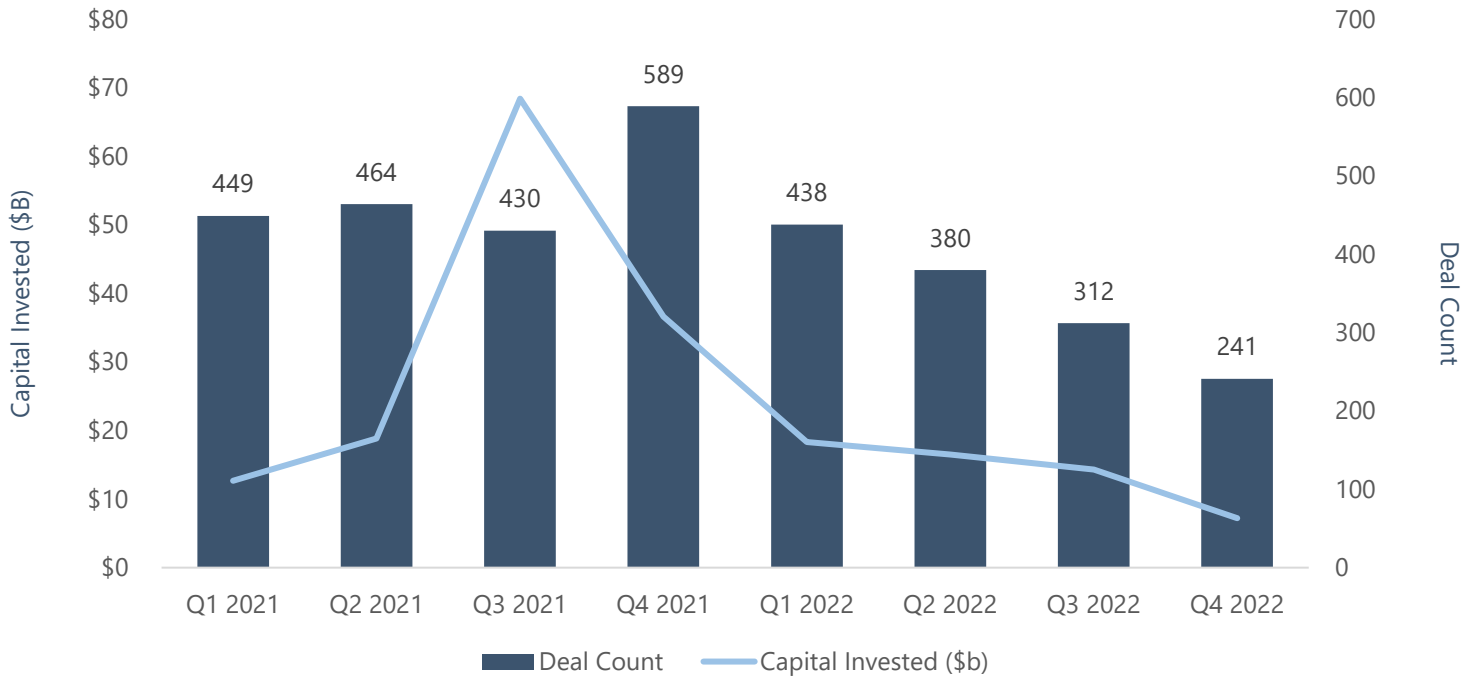
Recent News Articles & Podcasts

- [Mergers & Acquisitions: Have Transparent, Upfront Conversations](#)
- [Humana Will Buy One Primary Care Group – and Could Snap Up Another](#)
- [Rising Interest Rates Unlikely to Slow Hospice M&A; Largest Deals May Take the Brunt](#)

Healthcare M&A Deal Stratification

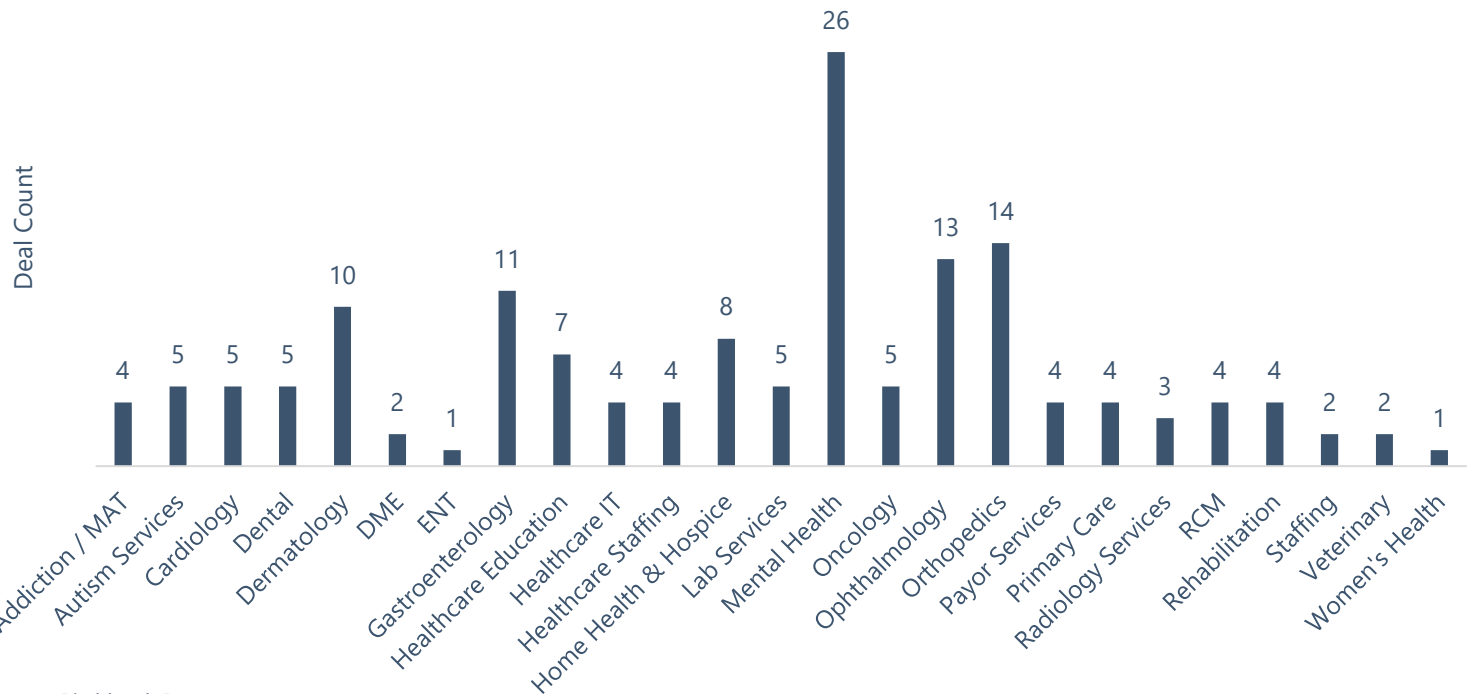
Despite reduced deal volume and capital investment, healthcare services M&A activity still outpaced other sectors in the fourth quarter of 2022. The healthcare services sector totaled 241 transactions, with private equity investments accounting for nearly 140 of this quarter's transactions. Mental health acquisitions lead the industry's transaction activity with 26 deals in Q4, a significant increase from 12 transactions in Q3. Orthopedic transactions also had a standout quarter with 14 closed deals, while ophthalmology almost doubled deal volume from seven to 13 transactions.

Healthcare Services M&A Quarterly Deal Activity (Q1 2021 – Q4 2022)



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

Healthcare Services Deal Count (Q4 2022)



Source: Pitchbook Data

Q4-2022 Addiction Treatment Update

Market Update

The addiction treatment sector rounded out 2022 with a strong quarter for deal flow, represented by 16 total transactions closed in Q4, up from 14 in Q3. Despite the growing prevalence of macroeconomic factors and difficult labor markets, the sector continued its resilient growth. Throughout 2022, private equity firms established 8 new platform investments, indicating outside investors continue to view the sector favorably.

Looking ahead to 2023, Provident expects investor interest in the addiction treatment sector to remain elevated, especially for businesses that accept commercial and government insurance plans. Groups focused on out-of-pocket payment, and patient pay are likely to experience a reduction in patient volume due to the anticipated macroeconomic slowdown in 2023.

Notable Transaction



October 2022

Lee Equity Partners, a New York-based private equity firm, acquired Bradford Health Services, an addiction treatment provider with 40 recovery centers in the Southeastern United States. Lee Equity's acquisition of Bradford Health from Centre Partners is evidence of the continued confidence that private equity has in the growth of the behavioral health space.

Lee will assist in growing Bradford's market share in the Southeastern market and beyond. The acquisition marks Lee's first investment in the behavioral health space since exiting Summit Behavioral Health in late 2021.

Select Transactions:

Month	Acquirer	Target	Deal Description
December	 INTEGRATIVE LIFE NETWORK	 SHADOW MOUNTAIN RECOVERY CENTERS	Integrative Life Network (ILN) acquires Shadow Mountain Recovery Centers to gain a new foothold in New Mexico. Through the acquisition of the 4 centers, offering varying services including residential, outpatient, and detox assistance, ILN expands its comprehensive portfolio covering 4 states.
December	 PINNACLE TREATMENT CENTERS	MBA Wellness Centers	Pinnacle Treatment Centers has acquired the MBA Wellness Center in Stockbridge, Georgia, an outpatient opioid addiction treatment program facility that serves more than 130 patients daily.
November	 ACADIA HEALTHCARE	 Brand New Start	Acadia Healthcare expands its portfolio through the acquisition of four addiction care centers in Georgia from Brand New Start Treatment Centers. Acadia's network of medicated assisted treatment expands to 148 facilities with the potential for more as state and local governments look to invest in comprehensive treatment centers.
October	 BayMark HEALTH SERVICES	 fritz clinic Good Medicine	BayMark Health Services Inc., a leading national SUD treatment provider, has acquired Fritz Clinic, a group of 6 office-based opioid treatment programs in Alabama.
October	 SperoHealth	 My Turning Point	Spero Health, a mid-west-based outpatient addiction treatment provider, acquired My Turning Point, a Kentucky based addiction treatment provider with 4 clinic locations.

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Publications & Podcasts

[Whitepaper: An Update on Consolidation and Investment in the Addiction Treatment Sector](#)

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

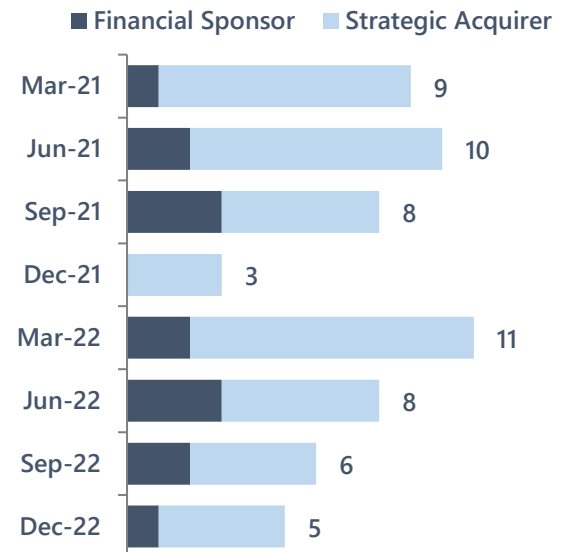
Q4-2022 Autism Services Update

Market Update

2022 proved to be a challenging year for autism services, highlighting several pain points that developed from the COVID-19 pandemic. Labor challenges, wage pressures, and stagnant reimbursement rates forced several providers to make difficult decisions on layoffs or exiting markets all together. 360 Behavioral Health, CARD, and Emy all announced layoffs, shining a negative light on private equity's investment in autism services, notwithstanding the expanded access to care brought by outside investors. Despite the negative headlines, the space continues to draw investor interest primarily due to the outsized demand for services nationwide and attractive unit economics for center-based services.

While add-on acquisitions and the movement towards integrated services continue to be key transaction themes, several private equity firms established new platforms in 2022. MBF Healthcare Partners acquired ABA Connect, representing their second investment into the space after selling Acorn Health to Ontario Teachers' Pension Plan in 2021. Furthermore, Joybridge Kids, established in May by Frontline Healthcare Partners, completed their first add-on investment of Independence Behavior in December, demonstrating their commitment to serving children in the Southeastern U.S. by expanding to an adjacent state. Despite the previously discussed challenges, 2022 transaction activity reinforced the notion that there is still investor interest across the autism services landscape.

Transaction Highlight



Select Transactions:

Month	Acquirer	Target	Deal Description
December			Frontline Healthcare Partners-backed JoyBridge Kids acquired Independence Behavior Solutions, a two-location ABA therapy company based in Georgia
December			The Stepping Stones Group, a diversified behavioral health provider, acquired Building Blocks Behavior Consultants, a center-based ABA therapy provider in California
December			MBF Healthcare Partners, a middle-market private equity company, completed its platform investment into ABA Connect, a Texas-based provider of ABA therapy
December			Achieve Beyond, a pediatric therapy and autism services provider, completed the sale of its California assets to Inspira Health, a provider of behavioral therapy in Southern California
October			Acorn Health, a seven-state provider of ABA therapy, acquired seven centers from Breakthrough Behavior, a Florida-based ABA therapy provider

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Publications & Podcasts

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

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

Q4-2022 Dental Services

Market Update

The DSO market experienced a slow down in large scale transaction volume in Q4-2022, however maintained historical momentum for small to medium transactions.

Unlike prior quarters with 5+ new DSO formations or DSO investor exits, there were fewer large-scale change of control transactions in Q4-2022. This is due in part to significant deal flow in Q1-Q3 2022, margin compression from a strained labor market, and a softening market for large credit facilities. We expect historical activity to resume in Q1-2023 as 10+ DSO platforms continue their active transaction processes and investors gain clarity on macroeconomic trends.

Despite this trend, the pace of small and medium partnerships has continued to perform. Both general and specialty DSOs such as Heartland, Sonrava, USOSM, and Smile Doctors added multiple practices, and both recently formed and existing DSOs successfully closed on new acquisition credit facilities of \$100M+.

Other notable trends include the continued push into multispecialty care and the growth of UK and Canadian DSOs.

Transaction Spotlight

US Endo Partners Formation of Specialized Dental Partners (SDP) & Acquisition of Cameo Dental Specialists



In October 2022, US Endo Partners launched its new sister-DSO, Specialized Dental Partners, to allow the Company to continue growth into other specialty dental services.

SDP formed its first partnership with Cameo Dental Specialists, a group of 18 specialists focused on endodontics, periodontics, and oral surgery.

This highlights the market's broad interest in specialty dental care and continues the trend of single-specialty DSOs expanding into multi-specialty

Select Transactions:

Month	Target	Investor(s)	Locations	Geography
November	7 Dental Practices	 United Dental Corporation	7	GA, AZ, CA
October		 US Endo Partners	5	IL
October			1	UK
October			34	TX, OK
October			60+	Western US

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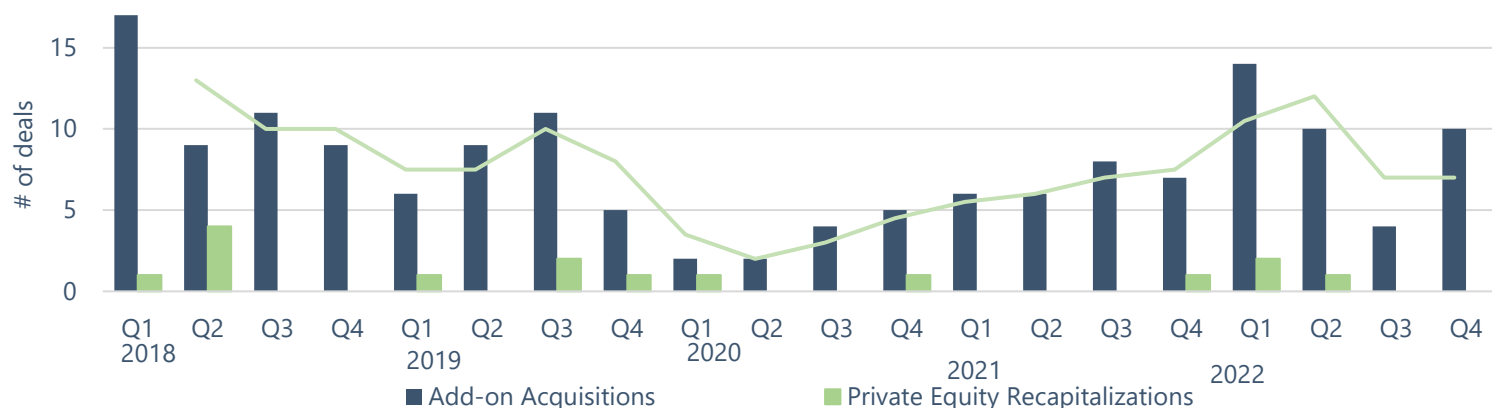
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Q4-2022 Dermatology Update

Market Update



The dermatology space continued to see consistent transaction volume in the fourth quarter, closing out a year characterized by large, secondary transactions, in which a handful of private equity-backed platforms took on new sponsors. Provident expects this “consolidation of consolidators” trend to continue to play out throughout 2023 as well, pending a severe market correction. While we don’t expect a sharp decline in the M&A markets, the increased cost of debt and tight lending environment may very well have a softening impact of valuations. Even so, given the current levels where deals are trading, Provident still expects a strategic partnership to be an attractive proposition for practices looking to explore their options in 2023.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
December		 NORTH ATLANTA DERMATOLOGY	8	25	GA
December		 MODERN SURGERY • CLASSIC BEAUTY	4	12	TX
December		Center for Dermatology and Laser Surgery	1	1	CA
December		 YOUR RESULTS. OUR REASON.	1	3	OR
December			1	2	TX
November			2	9	SC
November		DERMATOLOGY CENTER OF DALLAS	1	2	TX
November			5	25	CA
October			4	5	LA, MS
October			1	5	CA

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Upcoming Conference

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

Q4-2022 Durable Medical Equipment (DME) Update

Market Update

Despite a sector-wide dip in M&A activity amidst an uncertain economic environment and rising interest rates, there was considerable M&A activity within the DME space as 2022 drew to a close. Consolidation activity was primarily led by strategic acquirers, both publicly-traded and private equity backed, to expand their market presence, broaden service offerings, and capitalize on economies of scale to drive efficiency.

Entering 2023, the outlook for transaction activity in DME remains strong as strategics such as Quipt Medical and AdaptHealth remain highly acquisitive. Consolidation activity is further buoyed by the fact DME is relatively insulated to potential economic downturns due to the inelastic nature of customer demand. These factors will drive continued investor interest in the sector and keep valuations at frothy levels.

Select Transactions:



December 2022

Reliable Medical Supply acquired Chicago based Orbit Medical, a full-line HME provider specializing in power mobility and complex rehab. Reliable Medical, backed by private equity sponsor Seven Hills Capital, pursued the acquisition to diversify its business model and revenue mix while simultaneously growing its core service offering.

The acquisition serves as a natural extension of Reliable Medical's existing Midwest presence as the Company seeks to continue building regional density and better serve the needs of complex patients throughout the hospital discharge process.

Provident: Recent Industry Publications



Kevin Palamara was a contributor to HME News "Smart Talk" column with a 4-part series on M&A considerations:

- 1) [Have Transparent, Upfront Conversations](#)
- 2) [Assess Benefits, Drawbacks](#)
- 3) [Assess Interest Rates, Recessionary Fears](#)
- 4) [Understand the Current Landscape](#)

Provident is happy to discuss any of the trends or commentary discussed in these articles in further detail.



December 2022

Great Elm Group has sold its DME business, Great Elm Healthcare, to Quipt Home Medical at an \$80M enterprise value. The transaction represents a continuation of Quipt's rapid inorganic expansion strategy with its most significant acquisition to date. Great Elms footprint in the Southwest and Northwest will bolster Quipt's existing presence across the Southeastern US and nationwide.

The transaction also provides Quipt with considerable market share expansion within the respiratory market, a high-priority for the Company as it looks to capitalize on a growing population of patients with chronic respiratory conditions.

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Q4-2022 Emergency Medical Services (EMS) Update

Market Update

Despite a slight reduction in transaction activity in Q4-22 compared to the first half of the year, primarily driven by macroeconomic headwinds, the EMS sector continues to be a sector of an interest for private equity investors, large hospital consolidators, and independent platforms. Majority of activity in the quarter included hospital consolidation of local urgent care players and regional consolidation of various ambulance services companies. Key reasons for the transactions included deepening their geographic footprint in an established MSA, forming a presence in a new region, and expanding service line capabilities.







Although private equity investment remained on the sideline for Q4-22, recently established PE platforms are seeking add-on opportunities across the EMS sector. In addition to the deals that have closed in the quarter, it has been announced that Summit Health-CityMD will be acquired by VillageMD and expected to close in Q1-23. Warburg Pincus, a leading private equity firm, will be exiting its ownership position which began in 2017, represent a significant exit for the firm and a roadmap for future consolidation within the EMS space.

Notable Transaction



VillageMD has entered a definitive agreement to acquire Summit Health-CityMD, a leading provider of primary, specialty, and urgent care, creating one of the largest independent provider groups in the United States. Summit Health-CityMD maintains a strong foothold of 680 provider locations in the northeast US and Oregon regions, significantly expanding VillageMD's geographic footprint.

Select Transactions:

Month	Sub-Sector	Acquirer	Target	Deal Description
December	Urgent Care	 Ochsner Health		Ochsner Health acquired Diamondhead Urgent Care, providing the LA-based hospital system a bigger footprint in Hancock County, MS. Diamondhead's single location becomes one of two Ochsner locations that will provide urgent care services.
November	Emergency Medicine	 TEAMHealth.	ACT 	TeamHealth, the country's leading physician practice, acquired Acute Care Transitions, LLP ("ACT"), an emergency medicine and advanced care at-home telehealth provider offering services to the Texas Health Resources health system. The transaction represents the acquirer's expansion into the Dallas- Fort Worth market.
November	Ambulance Services			Pennsylvania Ambulance LLC, acquired certain assets of Commonwealth Health's EMS arm. This acquisition will make Pennsylvania Ambulance LLC, the largest ambulance provider in Northeastern Pennsylvania both geographically and number of communities serviced.

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Q4-2022 Gastroenterology Sector Update

Market Update

The Gastroenterology sector continues to be one of the most active M&A sectors within physician services. Q4 2022 was characterized by continued add-on acquisitions from existing private equity-backed platforms as groups continue to expand via an acquisition strategy.

Two of the current existing platforms, Gastro Health and One GI, had particularly active quarters for M&A. Each platform closed multiple add-on sized acquisitions. One GI added a new state (Virginia) to their Geographic footprint and Gastro Health bolstered their position in two existing geographies (Ohio and Washington). Competition for large practices with greater than 20 physicians remains very high as there are so few independent practices of this scale remaining.

Provident closed three transactions within the Gastroenterology sector in 2022 and has closed seven over our history. We are one of the most active M&A advisors within GI and are on pace to have multiple transactions to announce in 2023.

Notable Transaction



In Q4 2022 Gastroenterology Associates of Olympia Washington finalized its partnership with Gastro Health. Gastroenterology Associates is a large regional practice comprised of ten physicians and nine APPs.

This marks Gastro Health's third acquisition in the state of Washington and bolsters their position as one of the largest GI platforms in the country. At the time of the announcement, Gastro Health had 390 physicians across spread across seven states (FL, AL, WA, VA, OH, MD, MA) and 150 locations.

Gastro Health is not the only PE Backed platform to move into the state of Washington; in January 2022 GI Alliance acquired Washington Gastro, the largest practice in the state. The strong presence of both GI Alliance and Gastro Health within Washington will create added competition for add-on opportunities going forward.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
November		Gastroenterology & Hepatology Specialists of Canton OH	3	1	Ohio
November			3	2	Virginia
November			Summary: Gastrologix, a GI-specific GPO was acquired by Specialty Networks, a portfolio company of Linden Capital Partners. Specialty Networks is a portfolio of multi-specialty GPOs and other physician practice support services businesses. This transaction is evidence that private equity investors are exploring new ways to gain exposure to Gastroenterology in their investments.		
October			3	2	Ohio

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Q4-2022 Healthcare Education Update

Market Update

The healthcare education space continued to experience strong M&A activity in Q4, resulting in a mix of new platform investments, add-ons, and successful exits. Add-ons that provide access to new end markets, differentiated technology, and niche services continue to be at the forefront of investor theses. Broader education corporations continue to show conviction in healthcare education due to its countercyclical nature and rapidly-growing provider base. For example, diversified education consolidator McGraw Hill's acquisition of Boards & Beyond signaled strong tailwinds for the space. Financial sponsors recognize the opportunity upstream and are eagerly creating new platforms such as DWHP and its partnership with Med Learning Group. As the broader market softens, Provident expects healthcare education transactions to remain strong in the coming quarter.

Select Transactions:

Month	Acquirer	Target	Deal Description
December			Boards & Beyond, a provider of on-demand video libraries and other online resources, has been acquired by education company McGraw Hill. The acquisition is McGraw Hill's second add-on since its partnership with Platinum Equity began in 2021. The transaction emphasizes the broader education sector's confidence in healthcare vertical.
December			TrueLearn, a healthcare digital learning and analytics platform, has acquired Apex Anesthesia Review. APEX allows Truelearn to further expand its services in nursing via its support for the SRNA and CRNA exams.
December			Private equity firm DW Healthcare Partners acquired Ultimate Medical Academy's stake in Med Learning Group. Med Learning Group is offers online and in-person Continuing Medical Education (CME) programming throughout the United States. DWHP offers significant healthcare education experience, following previous its successful investments in CareerStep, Prime, and Health & Safety Institute.
December			Universal Technical Institute (NYSE: UTI), a leading provider of skilled trades education programs, acquired Concorde Career Colleges for \$50 million. The transaction includes 17 campuses in eight states with approximately \$200 million in revenue and \$17 million in adjusted EBITDA. The acquisition expands Universal's services into high-growth healthcare verticals including allied health, dental, nursing, and diagnostics.
October			Edcetera, backed by Eden Capital and a provider of continuing education, exam prep, and licensing programs, acquired Pulse Radiology, a prelicenseure and continuing education provider for radiologic technologists. The acquisition represents Edcetera's expansion of its radiology services and highlights investor value of both online and in-person education services.

Notable Transaction



December 2022

Avista Capital Partners, a healthcare focused private equity firm, has acquired Spear Education from Linden Capital Partners. Spear is a leading provider of digital and in-person clinical training, practice analytics and consulting solutions for the dental market.

During its partnership with Linden, Spear transformed from a primarily in-person model to a recurring digital membership. Avista plans to leverage its healthcare technology expertise to continue this strategy.

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Q4-2022 Healthcare IT Update

Market Update

Healthcare IT deal flow in Q4 of 2022 continued at a strong rate consistent with prior years. As this market grows in size and complexity, so does the innovation and excitement that each new company brings to the sector. In Q4, Anumana acquisition of further builds upon the Company's AI-driven integration software and market share. Datavant's purchase of Swellbox, a student-focused health management software based that allows patients to track relevant health information from the time they are a young adult into their mature years, provides meaningful benefits for early disease detection and preventative treatment.

These transactions demonstrate the level of innovation in the HCIT space that has persisted despite current macro headwinds and provides momentum for the M&A market heading into 2023.

Select Transactions:

Month	Acquirer	Target	Target:	
			Business Segment	Headquarters
December	 DATAVANT	 swellbox FOR STUDENTS	Patient Health Systems	Tarrytown, NY
December	 REALTIME	 Complion	Regulatory Solution Provider	Cleveland, OH
December	 CGM CompuGroup Medical	 Medicus LABORATORY INFORMATION SYSTEMS	Lab Information Systems	Sunrise, FL
December	 nextgen healthca	 tsi tsihealthcare	Specialty Care Services	Chapel Hill, NC
December	 EVEREST CLINICAL RESEARCH	 brightech	Data Management Services	Somerset, NJ
November	 AMS management group	 ADAPTRACK	Reporting and Analytics	Chicago, IL
November	 anumana	 NEUTRACE	AI Medical Integration Software	Longwood, FL
November	 zelis Pay for care, with care.	 payspan	Healthcare Reimbursement Management	Jacksonville, FL
October	 custom health	 healthinmotion NETWORK	Analytics and Business Intelligence	Columbus, OH




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HCIT Public Comparable Multiples

Select Public Healthcare IT Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV/REV	EV/EBITDA
 Allscripts	\$17.90	\$1.53B	\$365.27M	1.90x	5.52x
 evolent HEALTH	\$28.41	\$1.22B	\$114.16M	2.45x	26.16x
 Teladoc HEALTH	\$23.21	\$2.32B	\$13.92M	1.86x	310.66x

As of 01/10/2023

Q4-2022 Healthcare Staffing Update

Market Update

Although nurse staffing has recorded significant growth the past twenty-four months, other healthcare staffing verticals such as allied and locum tenens, continue to experience increased demand. Within allied, respiratory therapists, clinical lab technicians, and radiology technicians contributed to most revenue of staffing firms. According to SIA, the toughest position to recruit for was a cardiac catheterization technologist, likely resulting from talent shortages, followed by speech therapists. Locum tenens will continue to experience demand resulting from an aging population and talent shortages. According to SIA, by 2034, there is estimated to be a shortage of 37,000 to 124,000 physicians particularly within primary and specialty care, respectively.

Notable Transaction











December 2022

Springboard, a leading provider of traveling clinicians specializing in cardiovascular roles, partnered with Ingenovis Health, a portfolio company of Cornell Capital and Trilantic North America.

Ingenovis has been very acquisitive the past twelve to eighteen months after partnering with Healthcare Support, a leading allied staffing provider, and Vista Staffing, a leading provider of staffing locum tenens, respectively.

Select Transactions:

Month	Acquirer	Target	Deal Description
December			Snap Health, a healthcare technology company, acquired Your Therapy Source, a therapy services provider, who primarily places healthcare professionals in Texas
November			Medical Solutions, a portfolio company of Centerbridge Partners and CDPQ, acquired Host Healthcare, located in San Diego. Host Healthcare provides clinicians within nursing, allied, and therapy settings.
October			Lotus Medical Staffing places professionals within both permanent placement and locum tenens positions. End markets include anesthesia and surgical settings within operating rooms.
October			In addition to partnering with Lotus Medical Staffing, Cross Country partnered with Mint Physician Staffing. The group places professionals within different locum tenens positions, such as radiology, urgent care, primary care, internal medicine, and emergency medicine, among others.

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Q4-2022 Home Health & Hospice Update

Market Update

The fourth quarter of 2022 finished strong in what was a transformational year for the home health and hospice sectors. Total deal values exceeded record-breaking levels seen in 2021, primarily driven by several mega-cap transactions. The most notable transactions of 2022 include UnitedHealth Group's pending acquisition of LHC Group Inc., CVS Health's pending acquisition of Signify Health, Walgreen's acquisition of CareCentrix, and the formation of Gentiva and Enhabit. The trend of large-cap healthcare and tech companies entering the home care space is expected to continue in 2023 and beyond, serving as a catalyst for continued investment activity in the sector.

Separately, this November, CMS announced its final rule resulting in an increase in the aggregate reimbursement by 0.7%, a drastic improvement over the initial proposed 4.2% decrease back in June. This positive ruling should allow transaction processes to resume that may have been on hold as a result of the uncertainty in future reimbursement.












Home Health & Hospice Comparable Multiples

Select Public Post Acute Care Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV/REV	EV/EBITDA
Addus Homecare	\$99.49	\$929	\$100	1.83x	17x
Amedisys	\$83.54	\$2,220	\$316	1.49x	10.48x
Pennant Group	\$10.98	\$460	\$27,066	1.41x	23.96x
Enhabit	\$13.16	\$1,084	\$160	1.16x	7.83x

Share price as of 12/31/2022

Revenue / EBITDA in millions

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
December	 care advantage, inc. <small>A FAMILY OF CARE AND COMPASSION</small>	 Lighthouse HEALTHCARE, INC. <small>CREATING THE WAY TO CARE FOR 100 YEARS</small>	1	VA	Care Advantage has acquired Virginia-based Lighthouse Healthcare Inc. The acquisition further diversifies Care Advantage's suite of service offerings into the private pay space.
October	 CIMARRON HEALTHCARE CAPITAL  Tacoma Holdings	 Frontpoint HEALTH	3	TX	Private equity firms Cimarron Healthcare Capital and Tacoma Holdings have recapitalized Texas-based, Frontpoint Health. Frontpoint Health provides home health, hospice, palliative and personal care services.
October	 Agape Care Group	 Journey Hospice <small>THE JOURNEY TO BETTER CARE</small>	7	AL, LA	Agape Care Group completed its acquisition of Journey Hospice, expanding into the Alabama and Louisiana markets. Following the acquisition, Agape's average daily census exceeds 3,700 across five states.
October	 enhabit Home Health & Hospice	 CARING HEARTS Hospice	4	TX	Enhabit Home Health and Hospice (NYSE: EHAB) has acquired Texas-based Caring Hearts Hospice.
October	 KAIN CAPITAL	 PERA HEALTHCARE	4	CO, MO, KS, OK	Kain Capital, a leading healthcare-focused private equity firm, has acquired a majority stake in Hospice Care of America to form PERA Holdings.

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Q4-2022 Laboratory Services & Diagnostics Update


Market Update

The laboratory and diagnostic services sectors continued their robust growth into Q4. The mergers and acquisitions market for assets in the space has remained elevated despite ongoing economic uncertainty and tightening debt markets. Large consolidators in the clinical lab space, such as Quest and LabCorp have continued an aggressive M&A strategy as they look to pursue market share expansion and customer acquisition to build out their extensive provider networks. Large diagnostic test developers such as Beckman Coulter continue to utilize M&A as a mode to broaden their testing and services portfolio by targeting niche players in their space which provide bespoke or innovative services that may fill a void in its current offering.

Public Lab and Dx Services Trading Multiples

Select Public Lab and Dx Services Trading Multiples						
Company	Ticker	EV	Revenue	EBITDA	EV/REV	EV/EBITDA
LabCorp	LH	\$27B	\$15.7B	\$3.3B	1.75x	8.07x
Quest Diagnostics	DGX	\$22B	\$10.3B	\$2.3B	2.12x	9.67x
Eurofins	ERFSF	\$16B	\$7.7B	\$1.7B	2.13x	9.53x
Hologic	HOLX	\$19B	\$4.86B	\$2.1B	3.94x	9.08x
Exact Sciences	EXAS	\$10B	\$2.0B	-\$532.3M	5.16x	n/a

Select Transactions:

Month	Acquirer	Target	Deal Description
November		 Outreach Lab Services	Quest Diagnostics, the leading provider of clinical diagnostics in the nation, announced the acquisition of Summa Health's outreach lab services known as LabCare Plus. Quest aims to expand their portfolio for the physicians and patients in Pittsburg and Twinsburg, Ohio.
November			Werfen, an international developer, manufacturer and distributor of Specialized Diagnostic instruments has announced its acquisition of Immucor, Inc., a global transfusion and transplant in vitro diagnostics corporation, from TPG, a global alternative asset management firm.
November			Biocare medical, a leading provider of automated immunohistochemistry and fluorescent hybridization instrumentation and reagents announced the acquisition of Empire Genomics, a market leader in molecular biomarkers to aid in cancer research and diagnostics. Biocare aims to accelerate cancer research and advance cancer diagnostics through the purchase of Empire's unique and specialized procedures.
October			Beckman Coulter Diagnostics, a global leader in clinical diagnostics, has acquired StoCastic, an AI-based hospital emergency department decision support company. StoCastic's system will become a significant component of Beckman Coulter's Clinical Decision Support portfolio.
October		 beyond testing	Patients Choice Laboratories (PCL), a leading national provider of comprehensive laboratory testing has acquired Infinity Laboratories, LLC, an infectious disease lab specializing in molecular diagnostics in northern Texas. PCL aims to increase their foothold in the Texan infectious disease diagnostics market.

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Q4-2022 Mental Health Services Update

Market Update

An extremely active fourth quarter capped off another landmark year in the mental health space as the sector continues to be one of the most sought after subverticals within healthcare services. The outsized demand for services paired with extremely constrained supply has generated strong investor interest in both outpatient and inpatient mental health, leading to significant consolidation over the last year. As the market continues to mature, Provident expects the space to move toward integrated, holistic care models with deeper integration between medical and behavioral healthcare and an emphasis on care coordination (with PCPs) and value based care. Nontraditional modalities of therapy, such as Ketamine and TMS, have gained traction recently as well, which we expect to continue as more providers adopt these mechanisms to address symptomology.

While we're tracking the rising cost of debt, which has typically had a softening impact on valuations, Provident expects multiples to remain strong and deal structures to remain seller friendly in the mental health space due to the noncyclical nature of services. Businesses that demonstrate a strong local operating model, limited turnover, and demonstrated ability to grow organically will continue to garner premium valuations in the months to come.

Select Transactions:

Month	Acquirer	Target	Deal Description
December			Irwin Naturals, a psychedelic mental healthcare chain has acquired three mental healthcare clinics from Florida Mind Health Center.
November			Newport Healthcare, the national leader in teen and young adult mental health servicing and treatment, has acquired PrairieCare, a pediatric mental health provider with 9 locations in Minnesota.
November			ARC Health, a Thurston Group portfolio company, has announced the acquisition of Michigan-based Lotus Consulting, PLLC, a wellness, mental health, and behavioral health service provider.
November			Montana Psychiatry and Brain Health Center has partnered with Turnwell Mental Health Network in a strategic alliance.
November			Sondermind, a personalized mental healthcare company, has acquired Total Brain, an applied neuroscience platform.
November			Irwin Naturals has acquired Dura Medical, LLC to expand their fast-growing platform of psychedelic-based treatment for mental health
October			Precise Behavioral, a behavioral health operations service has announced they will acquire Rose Health, an AI-based system that aims to optimize the process for patients to seek and receive mental healthcare.
October			Color Health, a population health technology company, has acquired Mood Lifters, a clinically validated, group-based mental health program.
October			ARC Health continues their rapid expansion with two mental health providers, The Relationship Therapy Center and The Ross Center.
October			CARE Counseling has acquired Five Rivers Mental Health Clinic through an asset sale.

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Q4-2022 Oncology Services Update

Market Update

Deal volume in the oncology practice management space remained healthy despite rising interest rates and uncertainty on the macroeconomic environment. Strategic acquirers, both public and private equity-equity backed, continue to lead transaction volume, represented by three add-on acquisitions. Key players such as The Oncology Institute and The US Oncology Network remain acquisitive, primarily due to strong balance sheets and existing debt facilities. Hospitals also showed continued interest in community-based oncology practices, most recently evidenced by Roper St. Francis' acquisition of Charleston Oncology.

Looking ahead to 2023, the oncology practice management market remains ripe for consolidation due to several factors, such as market fragmentation, rising cancer case counts, and an increasing demand for oncologists. While recent transaction activity shows a decrease in new platform investments and a focus on add-on acquisitions for existing strategic acquirers, the sector still yields an opportunity for additional investment.

Select Transactions

Month	Acquirer	Target	Deal Description
December	 The Oncology Institute of Hope & Innovation	Intercommunity Oncology of Chino Hills	The Oncology Institute ("TOI"), a five-state provider of community-based oncology services, acquired the Chino, California practice of Dr. Labib Hashimi, Intercommunity Oncology of Chino Hills; the acquisition expands TOI's market presence across California
November	 ROPER ST. FRANCIS HEALTHCARE	 CHARLESTON ONCOLOGY COMPASSIONATE CARE FOR CANCER AND BLOOD DISORDERS	Roper St. Francis Healthcare, a not-for-profit hospital based in Charleston, South Carolina, acquired Charleston Oncology, a community-based oncology practice with 11 physicians and three locations
October	 The US Oncology Network	 SARAH CANNON Fighting Cancer Together™	The US Oncology Network, a provider of community-based oncology services, acquired Sarah Cannon Research Institute, an operator of a cancer research center
October	Public Markets (NASDAQ) <i>Pending</i>	 AON AMERICAN ONCOLOGY NETWORK, LLC	American Oncology Network, a Florida-based network of community oncology practices, announced its plans to merge with Digital Transformation Opportunities, via a SPAC transaction that is expected to close in 2023
October	 The Oncology Institute of Hope & Innovation	Broward Oncology Associates	The Oncology Institute also acquired Broward Oncology Associates, a Fort Lauderdale-based oncology practice; the acquisition marks TOI's entrance into the South Florida market

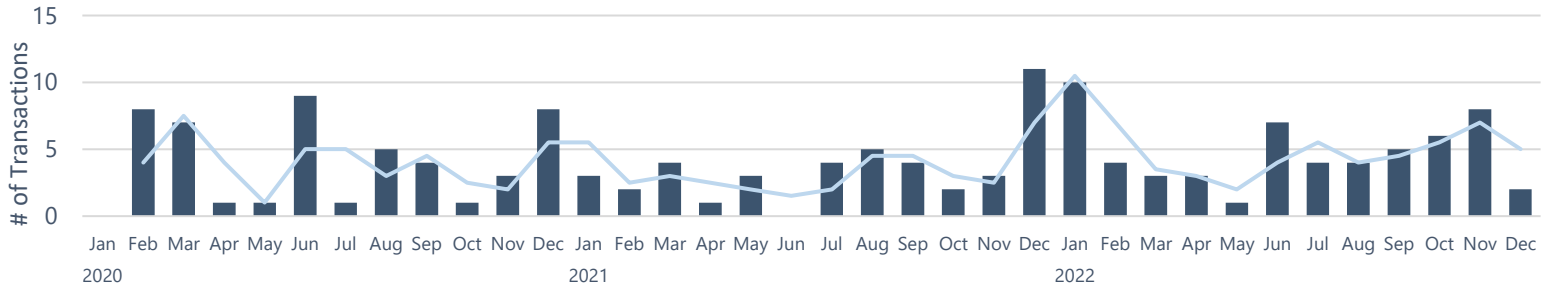
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Q4-2022 Ophthalmology Update

Market Update



The fourth quarter capped off another landmark year in ophthalmology as strategic consolidators deployed large amounts of capital across a number of acquisitions to close out the year. Transaction volume and valuations remained exceptionally strong despite a rising interest rate environment and tight lending markets. Most PE-backed platforms continue to remain aggressive but are starting to be more selective with deals, focusing on markets where there is strategic value creation opportunities for the platform. Overall, even with a slight correction, valuations and key business terms will likely remain very seller friendly in to 2023.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
December			1	7	OH
December			1	5	PA
November			1	2	PA
November			4	6	IL
November			3	17	KS
November			12	14	IL
November			3	6	CA
November			2	3	MD
November			19	13	FL
October			18	15	OH
October			2	4	FL
October			1	3	PA
October			1	5	ND

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Q4-2022 Payor Services Update

Market Update

The final quarter of 2022 maintained a steady pace of transactions in the payor services sector, with strategic consolidators leading the bulk of acquisition activity. Provident believes in the near term that many payor services companies will continue to grow through acquisitions.

Provident expects several private equity exits in the payor services sector, similar to Apax Partner's exit of Kepro. Multiple private equity backed payor services platforms, such as Water Street's EBMS which received an initial investment in 2017, will likely be facing a transaction in the coming year, opening the door for both more add-on investments and a future payor services platform.

Notable Transaction



November 2022

CNSI, a provider of healthcare technology products and solutions, and Kepro, a provider of technology-enabled care management, quality oversight, and clinical assessment services, agreed to merge.

The combination of these companies aligns with their mission to serve clients with technology-enabled products and solutions to achieve better patient outcomes. CNSI will contribute large-scale systems experience and Kepro will provide deep clinical expertise. The merged company will continue to provide interoperability solutions to healthcare payors.

Select Transactions:

Month	Acquirer	Target	Deal Description
December		 a Charles Taylor Company	Charles Taylor has acquired The Matrix Companies, a third-party administrator and risk management firm. The Matrix specializes in providing various employment and workforce services, including case management and disability management for employers across the United States.
November		ELMC Rx Consulting	Alera Group, a national insurance and financial services firm, acquired ELMC Rx Consulting from ELMC Rx Solutions. ELMC Rx Consulting offers tailored pharmacy benefits solutions, including pharmacy benefits management (PBM) RFPs, PBM contract negotiation and program evaluations, strategic planning, specialty drug management, annual audits and more.
November			Alight, a cloud-based human capital and technology services provider, has acquired ReedGroup, an expert in leave management solutions. ReedGroup is a tech-enabled provider of medical absence management solutions to the employer market, assisting self-funded plans with disability leave, worker's compensation plans, and other employee leave services.

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Q4-2022 Pharmacy & Infusion Services Update

Market Update

In Q4-22, healthcare providers continued 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 convenience, cost-effectiveness, better outcomes, and 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



November 2022

Rx Savings Solutions (RxSS), a prescription price transparency and benefit insight company that offers affordability and adherence solutions to health plans and employers, reaching more than 17 million current patients, was acquired by McKesson in Nov-22.

The transaction is valued up to \$875 million, which includes a \$600 million upfront payment and a maximum of \$275 million of consideration contingent upon RxSS' financial performance through calendar year 2025.

McKesson's expects the acquisition of RxSS to accelerate its growth in biopharma services by extending its ecosystem of differentiated medication access solutions to patients.

Select Transactions

Month	Acquirer	Target	Target Description
December	 HILDRED™	 AleraCare A Healthcare Solutions Company	AleraCare is a provider of infusion and specialty pharmacy services for medications administered in a physician's office, alternate site of care or home setting.
November	 NOVO holdings	 KabaFusion Patient-focused Infusion Therapy	A national provider of essential acute, chronic, and enteral home infusion therapies, licensed to serve patients in 44 states through its nationwide network of home infusion pharmacies and home health agencies.
November	 WINDROSE HEALTH INVESTORS  TERRAPIN PHARMACY	 BANK'S APOTHECARY Specialty Pharmacy	Banks Apothecary is an independent accredited specialty pharmacy serving patients in 23 states. Based in Trevose, Pennsylvania, the company provides value-added pharmacy services primarily to individuals with serious and persistent mental illness and substance use disorders. Bank's high-touch model has provided high quality care to patients for over four decades.

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Q4-2022 Pharma Services Update

Market Update

Despite an uncertain macroeconomic environment, recessionary fears, the war in Ukraine, and the impact of rising interest rates, M&A activity in pharma services displayed strong resiliency Q4-22, 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. Certain therapeutic areas, oncology and CNS diseases for example, will likely remain popular due to a robust pipeline of R&D activity.

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











October 2022

Corium is a commercial-stage biopharmaceutical company that is leading the development and commercialization of central nervous system healthcare therapies that provide clinicians with important treatment options for patients, their families, and their caregivers.

The CDMO will focus on expanding its drug and consumer product capabilities.

The Company was acquired for \$408 million.

Select Transactions

Month	Acquirer	Target	Commentary
December			Meridian is a multi-specialty site organization for Phase I-IV clinical trials. As a result of this acquisition, Velocity will have sites in 25 U.S. states, employing over 1500 clinical research professionals.
November			Celerion is a leading global clinical research organization focused on providing end-to-end early stage clinical trial and bioanalytical services to a diverse group of customers. The Company's offering includes clinical trial design, patient recruitment, clinical site management, bioanalytical testing, and data management. Celerion has locations in the United States, Canada, Austria, South Korea, Switzerland, and the United Kingdom.
October			Cognitive Research Corporation is a privately-held, full-service contract research organization that specializes in Central Nervous System (CNS) product development for pharmaceutical, nutraceutical, biotechnology and medical device companies.
October			Helios Clinical Research is an integrated clinical site organization that partners with patients, physicians and biopharma sponsors to optimize clinical research.

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Q4-2022 Physician Services Update

Market Update

Physician services transactions in Q4 2022 have continued at the rate seen in previous quarters. Established platforms remain active and look to expand their geographic footprint into new markets and their density in current regions, with Cardiology transaction activity ramping up significantly in Q4. Provident expects current deal volumes to continue in 2023, with established platforms making strategic investments in practices with premium patient bases and established provider rosters and with financial investors deploying capital as the macro-environment normalizes.

Notable Transaction



















November 2022

Provident served as exclusive financial advisor to Southwest Cardiovascular Associates (SWCVA) in its partnership with Cardiovascular Associates of America (CVAUSA), a portfolio company of Webster Equity Partners.

Founded in 2002, SWCVA is a leading full-service cardiology provider in Arizona with 3 locations and an ASC. This partnership marks CVAUSA's first offering in Arizona with key locations throughout the state.

Select Transactions:

Cardiovascular					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December			5	3	AZ
November			25	9	GA
November			12	13	RI
October			30	5	NJ
October			10	3	IL
Ear, Nose & Throat (ENT)					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
October			2	1	TX
Radiology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
October			N/A	1	FL
Women's Health / OBGYN					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
October			15	2	WA

(1) Provident served as exclusive financial advisor

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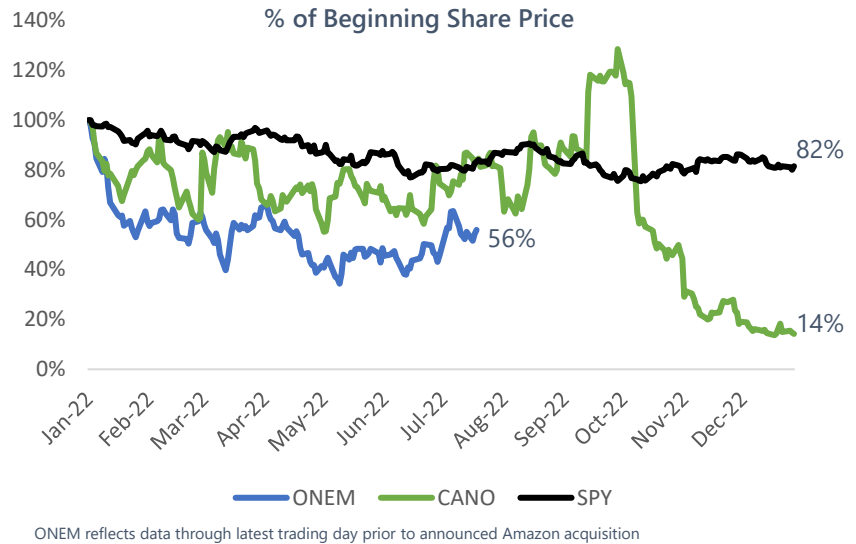
Q4-2022 Primary Care Update

Market Update


After a hot start to 2022, consolidation activity across primary care experienced a slight slowdown in Q4 as rising interest rates and a challenging macro environment created modest valuation headwinds and operational challenges. These dynamics were evidenced through general downward movement in public company performance and a more conservative growth outlook for 2023.

That said, the primary care market continues to be an area of particular investor interest relative to other verticals within healthcare services as organizations seek to align with provider groups that are well-positioned to thrive in a value-based care environment. High-caliber assets exhibiting these characteristics should continue to attract premium valuations despite prevailing market headwinds.

Public Market Trends



Select Transactions:

Month	Acquirer	Target	Transaction Notes
December	 Lorient Capital	 RISEHEALTH	Rise Health, a Phoenix, AZ-based primary care platform, received a growth equity investment from Lorient Capital to continue the expansion of its tech-enabled platform supporting value-based care clinics.
December	 ASCEND	 MEDICAL SPECIALISTS OF THE PALM BEACHES, INC.	Medical Specialists of the Palm Beaches a primary care-focused, multi-specialty physician group received an equity investment from healthcare-focused private equity firm Ascend Capital Partners.
November	 VillageMD	 Summit Health	VillageMD acquired Summit Health, one of the largest providers of primary care, urgent care, and other specialties in the Northeast in a landmark deal that will create a multi-payor, diversified platform.
October	 apollomed	 Valley Oaks Medical Group	Apollo Medical Holdings expanded its clinical footprint into Nevada and Texas with the acquisition of Valley Oaks Medical Group, a nine-clinic primary care group.

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Provident In the News

Dustin Thompson spoke with Health Plan Weekly about trends and recent market activity in the primary care space.

[Humana Will Buy One Primary Care Group – and Could Snap Up Another](#)

Q4-2022 Private Equity Update

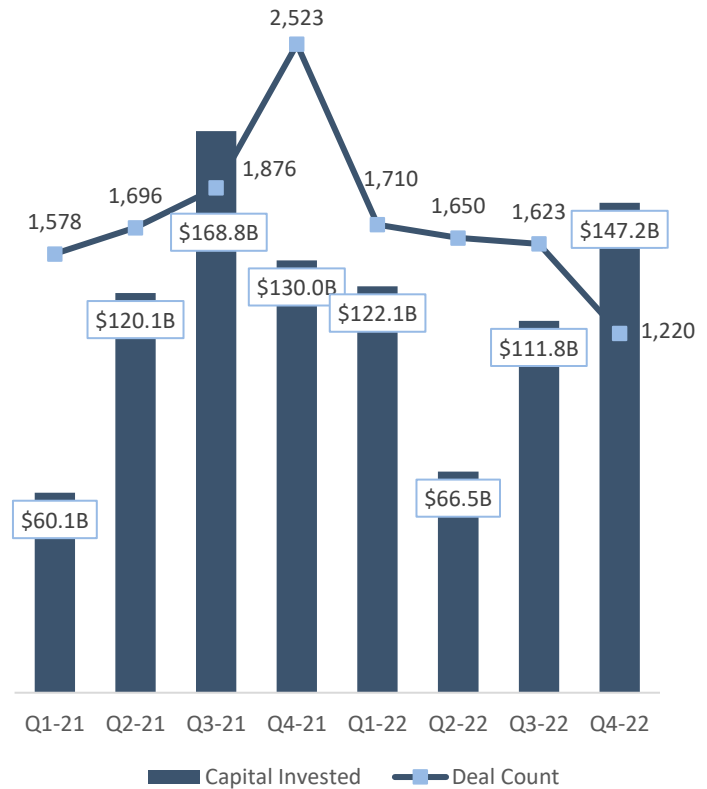
Commentary

Healthcare PE activity continued to display impressive resiliency in Q4-22 compared to other sectors. Historically, healthcare services are perceived as acyclical, as payors and the nondiscretionary behavior of healthcare insulate PPMs and other providers from radical changes in consumer spending. However, transaction volume and capital invested in Q4-22 continued to decline, as well as the median PE deal value which fell to \$50.0M in 2022 from \$70.1M in 2021. That said, private equity firms still hold an abundant amount of capital, and their job regardless of the macroeconomic environment, but the 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.

Despite staffing shortages in 2022, which consequently increased costs and pinched margins, healthcare PE investors were rewarded given the relatively isolated nature from rising interest rates in the lower/middle market.

Private Equity Investment & Deal Count



Q4-2022 Healthcare Private Equity Snapshot⁽¹⁾

Transactions
135+

Healthcare transaction volume stayed steady from the prior quarter, from 133+ in Q3-22 to 135+ in Q4-22. Valuations are starting to plateau across several services verticals, and overall M&A activity continues to slow down. However private equity has turned to healthcare services given the perceived acyclical nature of the business models.

PE Exits
26+

Despite the slump in exit activity in 2022, there were still several notable PE exits that occurred in Q4-22. Shore Capital exited EyeSouth Partners and sold the vision care asset to Olympus Partners for ~\$1.0B in Oct-22, and InTandem Capital exited Paradigm Oral Surgery to BlackRock for an undisclosed amount in Nov-22.

Investors
172

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
\$3.6B+

Total capital invested and deal volume in Q4-22 displayed resiliency despite headwinds in the economy. Overall deal volume and capital invested slumped from 2021, which is also likely attributed to outsized deal activity in last year 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
\$2.2B

ClaimsXten, is a rules-based claims payment solution for payers and TPAs who want help to improve payment accuracy, reduce appeals, and reap both medical and administrative savings. Change Healthcare sold the business unit to TPG through an estimated \$2.2B LBO in Oct-22. TPG financed the deal with \$1.2B equity and \$1.0B in debt financing.

Top Investors by Deal Count



Sources:
1. PitchBook Data as of 1/13/2023.

Q4-2022 Private Equity Update (Cont.)

Select Q4-2022 Transactions

Month	Acquirer	Target	Target Description
November	Undisclosed Financial Sponsor	 Commonwealth PAIN & SPINE Treating You to A Better Life.	Commonwealth Pain & Spine is a leading interventional pain management platform that provides comprehensive, multi-modal services to more than 80,000 patients from over 2,000 zip codes. The Company also has a third-party managed services model that offers practice admin support, RCM, analytics and consulting, and patient access / communication.
November	 CARDIOVASCULAR ASSOCIATES OF AMERICA <i>A portfolio company of</i>  Webster Equity Partners	 Southwest CardioVascular Associates	Southwest Cardiovascular Associates is a provider of cardiology, interventional radiology, electrophysiology and endovascular services in the Phoenix, Yuma, and Prescott, AZ markets. The Company was acquired by CVAUSA, a portfolio company of Webster Equity Partners. The acquisition bolsters CVAUSA's platform for growth in the AZ market.
October	 OLYMPUS PARTNERS	 EYESOUTH PARTNERS	EyeSouth Partners is the largest medically focused eyecare management services organization in the U.S. EyeSouth supports its affiliated practices and physician partners with strategic guidance, administrative resources, operating expertise, and capital with an absolute focus on clinical quality and a patient-first culture.
October	 AMULET CAPITAL PARTNERS LP	 United Vein & VASCULAR CENTERS	United Vein & Vascular Centers is a national provider of management services to outpatient vascular treatment practices. The Company, through its partner physician practices, provides medically necessary vascular care to a large and growing patient demographic served by an established base of surgically-trained and specialty-focused physicians.

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 \$7.0B+ in TEV to date, Provident devotes a team of seasoned professionals to every transaction to ensure an efficient and successful close.

24+ *Years of Healthcare Investment Banking*

200+ *Healthcare Deals Closed*

100+ *Healthcare Deals Closed In The Last Decade*

28 *Investment Banking Professionals*

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Q4-2022 Rehabilitation Update

Market Update

On November 1st, 2022, the Centers for Medicare & Medicaid Services (CMS) released the final rule for the Medicare Physician Fee Schedule. The key changes from the ruling include a 4.42% decrease on the CY 2023 fee schedule conversion factor, continuation of the Assistant Payment Differential, and the omission of therapists from the permanent list of telehealth suppliers/providers. As the impact of these changes on revenue becomes more apparent, Provident expects a surge of M&A activity, driven by opportunistic investors and smaller providers utilizing M&A as a way to offset the burden of adapting to these new challenges to reimbursement.

Despite the 2023 final ruling, rising interest rates, and a challenging macro environment, physical therapy practices remain highly sought after by both private equity firms and strategic consolidators. As such, valuations have remained elevated, evident by USPH's publicly announced transactions in Q4 that traded for 2.6x and 3.6x revenue, respectively.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
November		Not Disclosed	13	Not disclosed	USPH acquired a 13-clinic physical therapy practice. The purchase price for the 80% equity interest was approximately \$25 million. The practice generates more than \$12 million in annual revenue and has approximately 120,000 patient visits per year.
November		Not Disclosed	14	Not disclosed	USPH acquired a 14-clinic physical therapy practice. The purchase price for the 60% equity interest was approximately \$19.3 million. The practice generates more than \$9 million in annual revenue and has approximately 84,000 patient visits per year.
November			6	MD	ActivePro Rehab expanded its portfolio into Maryland with the acquisition of 4 Oaks Physical Therapy. This acquisition expands ActivePro's network to 54 locations.
October			1	TX	H2 Health acquired Texas-based Georgetown Physical Therapy. This follows its acquisition of Endeavour Physical Therapy earlier this year. Together the two will work under the Endeavour brand to provide one-on-one outpatient physical therapy and hand therapy in Texas.

USPH vs. Other Healthcare Facility Operators

Select Public Rehabilitation Trading Multiples			
Company	EBITDA	EV/REV	EV/EBITDA
U.S. Physical Therapy	\$93	2.68x	15.12x
Acadia Healthcare	\$563	3.59x	15.6x
Encompass Health	\$1,060	1.65x	8.19x
HCA	\$12,360	1.67x	9.08x

As of 12/31/2022

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Q4-2022 Revenue Cycle Management Update

Market Update

The past quarter reflected some of the market's hesitancy to software investment. There were only six deals in Q4-22, a two-year quarterly low and down from Q3-22's 10 deals. This is part of a larger trend of a slowdown in software investment, as broader SaaS acquisitions have continued to slow and valuation multiples for publicly traded companies have compressed.

Provident believes RCM acquisitions will weather the software M&A slowdown better than many other SaaS verticals. Companies providing consumer and discretionary software services will struggle though a potential recession more than those offering software-enabled revenue cycle management services to the healthcare provider universe.

Notable Transaction









October 2022

Optum, a diversified health services company and part of UnitedHealth, acquired Change Healthcare, a leader in software enabled services within the healthcare industry. The \$13 billion transaction is complete following months of litigation from the DOJ.

The combined company will focus on simplifying and connecting core clinical, administrative, and payment processes. Improving efficiency and reducing bottlenecks will benefit the entire healthcare system, resulting in lower costs and for all stakeholders

Select Transactions:

Month	Acquirer	Target	Deal Description
December	 CorroHealth	 VERSALUS HEALTH	CorroHealth has acquired Versalus Health, which will operate under the name "Corro Clinical". Versalus Health's clients will now have access to a broader range of technology and solutions, and CorroHealth's clients will benefit from Versalus Health's healthcare analytics leadership.
October	 KNOWTION HEALTH	 AMPLUS	Knowtion Health acquired Amplus, a healthcare revenue cycle accounts receivable resolution and technology service provider. This acquisition will accelerate Knowtion's plan to expand often negated low balance recovery technologies to reach Knowtion's scalability goals.
October	 National Medical Billing Services	 MEDTEK REVENUE CYCLE SPECIALISTS A National Medical Company	National Medical Billing Services, an industry leading healthcare revenue cycle management company serving the surgical market and backed by Aquiline Capital Partners, acquired MedTek, a provider of RCM solutions to ambulatory surgery centers, hospitals, clinics, and specialty groups nationwide.

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Q4-2022 Veterinary Services Update

Market Update

Despite a slowdown in consolidation activity across the veterinary services sector in the latter half of 2022, primarily driven by macroeconomic headwinds and uncertain market conditions, the sector continues to exhibit strong valuation multiples relative to other healthcare services sub-verticals. Service providers continually benefit from a large and growing population of pets, aided by continued employee preference for COVID-aided work from home arrangements, providing ample headwinds to support continued growth in this market. An estimated 70%+ of US households own a pet, with growing “humanization” contributing to increased spend on veterinary services. As the US faces an uncertain economic outlook in 2023, the veterinary services sector could see an uptick in investor interest due to its status as more recession proof than other sectors.

Despite the fury of M&A activity over the last 3-5 years, there remains 20k+ independent veterinary practices nationwide, exhibiting the fragmentation in this market and persistent opportunity for private equity backed platforms to consolidate veterinary care to benefit from a broader market footprint and increased economies of scale.

Select Transactions



November 2022

AmeriVet Veterinary Partners, a San Antonio, TX based veterinary practice backed by large-cap private equity fund AEA Investors, has acquired Northeast Veterinary Partners (“NVP”). NVP exhibits a meaningful footprint in Northern New England with 14 clinics across Maine, Massachusetts, New Hampshire and Vermont.

The acquisition marks the first time in AmeriVet’s history that it has purchased another veterinary services consolidator, creating a combined organization with a national footprint and meaningful economies of scale. AmeriVet was anticipating expanding to over 200+ locations and \$375M revenue by 2022 year-end. The combined platform has clear sightline to continue that growth into 2023 as the Company looks to build upon its inorganic growth playbook to push into new geographies.



December 2022

Small Door Veterinary, an innovative, membership model based veterinary provider, completed a \$40M Series B fundraising led by an undisclosed, publicly-traded private equity firm and a consortium of other investors including C&S Family Capital and FS Investors. The deal marks a shift in the veterinary M&A landscape away from traditional platforms and towards tech-enabled, innovative organizations that are well-positioned to succeed in the next generation of animal care.

Small Door currently generates ~\$10M revenue across its 5 locations spread across the Northeast, with plans to open another 5 locations in the next several months. The Company’s membership model has gained favor with pet owners due to its expedited process allowing appointments to be scheduled faster than at traditional veterinary offices at a flat rate.

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Concluding Thoughts

In the fourth quarter of 2022, investors weathered a variable economic situation and remained interested in healthcare services assets, closing 241 transactions and deploying \$7 billion in capital. Recovery from the pandemic paired with technological advancements and evolving reimbursement models will bolster market consolidation for both physician practices and other healthcare services.

Mental health has generated the highest demand and transformed into the most sought subvertical within the healthcare services industry in Q4. The sector's resilient M&A presence in Q4 2022 represents investor emphasis on new treatment methodology, care-coordination, and service integration, aligning with Provident's expectations.

Several other sectors, such as orthopedics ophthalmology, concluded the year with substantial deal activity. Private equity backed platforms are looking to invest in these sectors to create strategic value and facilitate the shift into value-based service models. Provident expects both private equity exits and consolidations trends in these sectors will continue to flourish in 2023.

As fears of a recession loom, investors turned towards safer and more secure assets to curb potential downside risk. While public markets are sensitive to external economic factors, Provident expects a buffer between public markets and middle market

private equity. This, combined with the fact that private equity is sitting on a record high \$1.96 trillion in dry powder, leads Provident to believe private equity funds will continue to invest in assets with organic and inorganic growth potential at attractive valuation multiples.

While investment volume tapered slightly, Q4 2022 showed that impending macroeconomic factors such as interest rate hikes and high levels of inflation should not substantially slow overall M&A volume, especially in the middle market. Provident expects investors to spend more time and resources evaluating assets in the healthcare services sector continuing in 2023.



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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