

# Q4-2022 Healthcare Services Private Equity Update

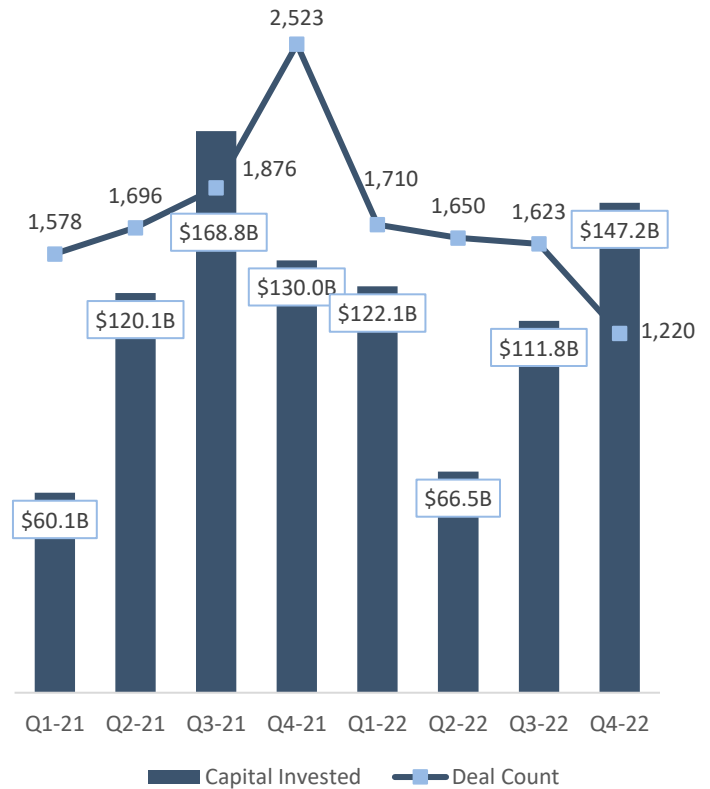
## Commentary

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<sup>(1)</sup>

### 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.

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## Select Q4-2022 Transactions

Month	Acquirer	Target	Target Description
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.
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 A portfolio company of 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.

## 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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