

Healthcare Services Private Equity

Q2 2023

Market Update

Healthcare private equity activity continued to display resiliency in the second quarter of 2023, but investor sentiment was mixed as the quarter saw the aftermath of the first bank failures in years. The fall of several banks shook global markets with their rapid deterioration, which many VC and PE investors rely on for key sources of financing. Transaction volume and capital invested in Q2 2023 had been declining before the banks' collapse, as investors evaluate the new reality of rising rates and broader macroeconomic headwinds. However, private equity firms still hold an abundant amount of capital, but the velocity in which funds are deploying capital has certainly slowed. Provident anticipates PE groups will remain bullish on bolt-ons for existing portfolio companies with existing financing relationships and expect fewer new platforms created this year due to the financing environment. Despite lower volume, high quality healthcare assets in the middle market remain highly sought after from investors.

PE exits have also continued to decline off 2021 highs and even 2022, owing part to a rewarding and eager IPO market and competition from SPACs. Rather than exit platforms in the first half of 2023, PE firms and their portfolio companies are primarily gearing up for 2024 and 2025 exits and Provident anticipates secondary exits to spike. Platforms that are focusing on both clinical and operational excellence will be rewarded in the future as the appetite for strong healthcare services businesses remains elevated and the supply and demand imbalance for quality assets becomes greater.

Comparing various segments of the economy, investors continue to gain comfort in knowing that healthcare services is perceived as acyclical, as payors and the nondiscretionary behavior of healthcare insulate PPMs and other providers from radical changes in consumer spending.

Select Transactions

Month	Acquirer	Target	Deal Description
April			Novocardia is now the value-based care arm of CVAUSA through a merger. Founded by cardiologists, Novocardia is dedicated to developing, testing, and scaling clinical and contract models that improve the quality, cost, and experience of care for patients and physicians.
April			Pyramid Laboratories is a California-based CDMO focused on formulation development, analytical and stability testing, and aseptic fill-finish manufacturing focused on large molecule therapeutics.
May			Centricity Research is a fully centralized Integrated Research Organization (IRO) specializing in conducting Phase I-IV clinical trials across more than 40 therapeutic areas. The company was formed in 2021 through the integration of multiple clinical research businesses across North America. It has completed more than 2,500 studies and has over 100 FDA and Health Canada Drug Approvals.
June		Olympus Cosmetic Group	Olympus is a provider of cosmetic surgery and cosmetic dermatology procedures. Olympus is led by Dr. Erik Nuveen, Dr. Alberico Sessa and Dr. James Koehler with an initial footprint which includes Florida, Oklahoma, and Alabama.

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Publications & Podcasts

Press Release

[Provident Advises James River Cardiology in its partnership with RC Capital to form Aligned Cardiovascular Partners](#)

Podcast

[Guest Spotlight – Private Equity Healthcare Deal Structures](#)

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Healthcare Private Equity Snapshot

Transactions 110

Healthcare transaction volume slightly declined from the prior quarter, from 185 in Q1-23 to 110 in Q2-23. Valuations are starting to plateau and decline across several services verticals, and overall M&A activity continues to slow down. However, private equity is attracted to healthcare services given the perceived acyclical nature of the business models.

PE Exits 13

Despite the slump in exit activity over the last several quarters, there were still several notable PE exits that occurred in Q2-23. Notably, Morgan Stanley Capital Partners exited Ovation Fertility and sold the asset to U.S. Fertility via its financial sponsor, Amulet Capital, in May-23. Together, U.S. Fertility & Ovation provide care through 90+ locations and 28 laboratories.

Investors 157

The diverse investor and acquirer base highlights how sectors across the healthcare services spectrum remain active and ripe for consolidation. Record levels of capital were raised in 2021, and investors are mandated to deploy that capital, regardless of the macroeconomic conditions and credit markets.

Capital Invested \$2.9B+

Total capital invested and deal volume in Q2-23 faced challenges but displayed resiliency regardless of headwinds in the broader economy. Overall deal volume and capital invested slumped from previous quarters, with many more investors focusing on add-on acquisitions versus platform creation, which typically requires establishing a credit facility that has proven more challenging in today's macro environment.

Largest Deal \$2.1B

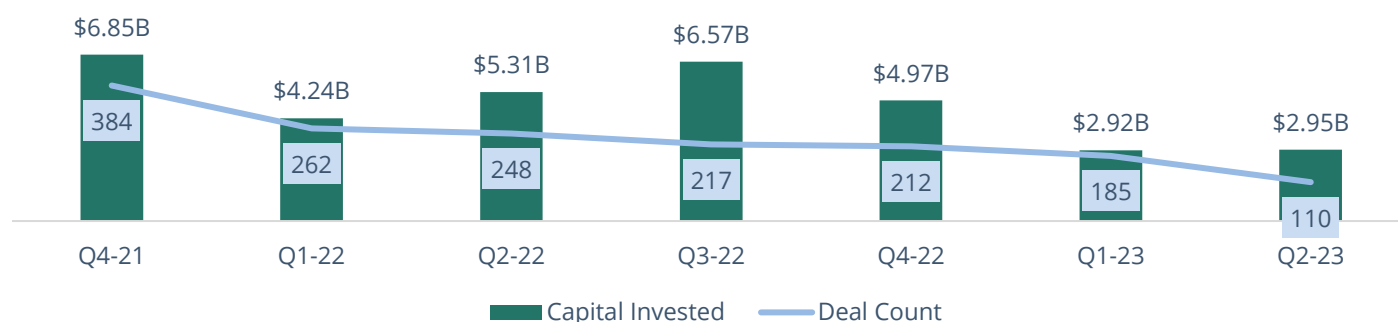
OneOncology, the Nashville-based network of independent community oncology practices covering 900 providers, completed a transaction led by TPG and AmerisourceBergen. The transaction puts the value of OneOncology at \$2.1B.



Top Investors by Deal Count



Private Equity Investment & Deal Count



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