

Healthcare Services Private Equity

Q3 2023

Market Update

Healthcare PE activity continued to display resiliency in Q3-23, but investor sentiment was mixed as Q1-23 saw the aftermath of the first bank failures in years and with heightened geopolitical tensions across the globe. Macroeconomic pessimism remains considerable, and investors expect conditions to weaken further through the remainder of 2023. Investors are also coming to the realization that interest rates in the U.S. will remain elevated (above 4%) well into 2024, if not beyond that. Despite these headwinds, many investors expect to increase their dealmaking as funds still have elevated amounts of capital that must be deployed.

Valuations have also softened compared to the highs seen in 2021, but many investors have taken the attitude that this is more of a reset back to historical valuations prior to the COVID-19 pandemic. Broadly speaking, 60% of investors expect to offer valuations consistent with H1-23. PE exits have also continued to decline off 2021 highs and even 2022, owing part to fruitful and eager IPO markets, and competition from SPACs. Rather than exit platforms in 2023, PE firms and its portfolio companies are gearing up for 2024 and 2025 exits and Provident anticipates heightened exit volume over the next 12-24 months. Platforms that are focusing on both clinical and operational excellence will be rewarded in the future as the appetite for high quality assets remains elevated, and the supply and demand imbalance for quality assets becomes greater.

Select Transactions

Month	Acquirer	Target	Deal Description
September	 HAVENCREST		Havencrest Capital Management, a healthcare private equity firm, announced its majority investment in Tekton Research, a leading clinical trial site network with 23 sites across TX, CO, GA, KS, and OK. Tekton conducts clinical trials across vaccines and infectious disease, neurology, endocrinology, and immunology. Through this partnership, Tekton intends to expand its investigator network and improve clinical trial access to underrepresented patient communities.
July	LINDSAY GOLDBERG		Lightwave Dental is a leading management services partner for high-quality dentists in the Mid-Atlantic region. By partnering with Lindsay Goldberg, Lightwave will continue to build the platform for entrepreneurial dentists and their support teams so they can continue to provide high quality patient care in its communities. The company currently supports more than 200 dentists and 1,800 active employees in 86 dental offices across VA, NC, SC, and AL.
July	 BLUESIGHT THE MEDICATION INTELLIGENCE COMPANY  THOMABRAVO		⁽¹⁾ Thoma Bravo strategically invested in Bluesight, The Medication Intelligence Company, and acquired Medacis simultaneously. The investment is expected to further enhance Bluesight's drug diversion prevention offerings through its acquisition of Medacis, a pioneer in drug diversion monitoring, and continue to grow Bluesight's inventory management and spend optimization offerings.
August			Worldwide Clinical Trials is a full-service global CRO that works in partnership with biotechnology and pharmaceutical companies to create customized solutions that advance new medications. Kohlberg's partnership will continue to add to Worldwide's capital base and resources to help achieve its growth goals. ⁽²⁾

⁽¹⁾ Provident served as executive financial advisor. ⁽²⁾ The transaction was announced in August 2023 and is expected to close in Q4-23.

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Media Citations and Podcasts

Media

[Has Private Equity Reached a Plateau in Healthcare M&A Activity?](#)

Podcast

[Craig Sager joined McGuireWoods "Corner Series" podcast to discuss M&A in primary care](#)

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Healthcare Private Equity Snapshot

Transactions
143

Healthcare transaction volume increased from the prior quarter, from 110 in Q2-23 to 143 in Q3-23. Valuations have largely reset and are consistent with H1-23 multiples, and overall M&A activity remains robust. Private equity continues to turn to healthcare services given the perceived acyclical nature of the business models.

PE Exits
24

Despite the slump in exit activity over the last several quarters, there was an uptick in activity compared to Q2-23. PE exits that occurred in Q2-23. Notably, General Atlantic exited OneOncology and sold the asset to TPG in Sept-23, and Alpine Investors exited Lightwave Dental to Lindsay Goldberg in Jul-23.

Investors
179

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
\$9.3B+

Total capital invested and deal volume in Q3-23 faced challenges but displayed resiliency regardless of headwinds in the broader economy. Overall deal volume and capital invested increased from previous quarters, with many more investors focusing on platform acquisitions by partnering with premium assets which have hit the market.

Largest Deal
\$7.0B

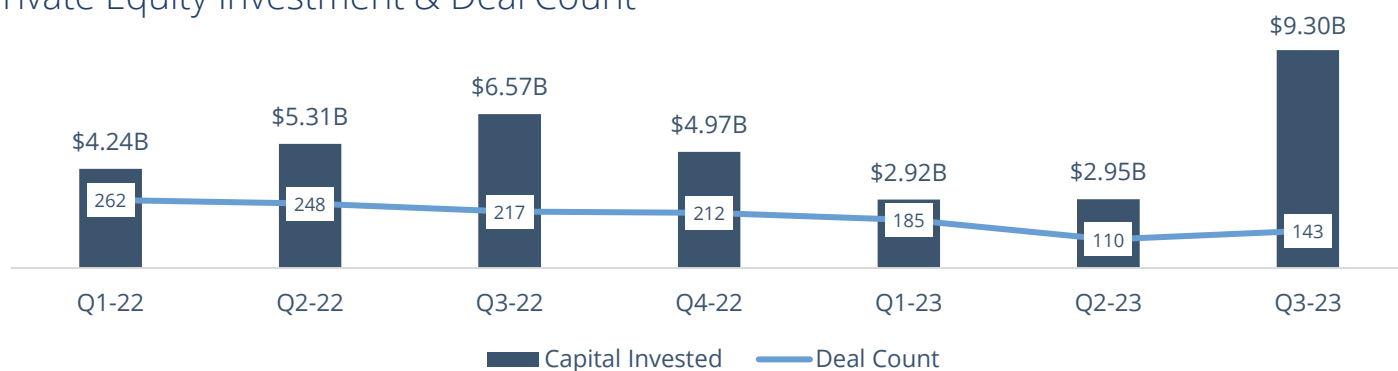
Syneos Health, a Morrisville-based fully integrated biopharmaceutical solutions organization was acquired by Elliott Investment Management, Patient Square Capital, and Veritas Capital for \$7 billion.



Top Investors by Deal Count



Private Equity Investment & Deal Count



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