

Healthcare Services Private Equity

Q4 2023






Market Update

Healthcare PE activity in Q4-23 presented a mix of pessimism that persisted throughout 2023 but illustrated broader confidence in the healthcare sector versus other industries. Macroeconomic doubt remained considerable in Q4-23, but investors expect conditions to become more favorable in 2024. Investors are also coming to the realization that interest rates in the U.S. will remain elevated (above 4%) well into 2024, but off from 2023 highs. Despite these headwinds, many investors expect to increase their transaction volume of dealmaking as funds still have elevated amounts of capital that must be deployed. Healthcare services did not see many blockbuster deals in 2023, and the same was true in Q4-23, however, there was robust lower middle market deal activity comprising small platforms and add-on acquisitions.

Valuations have also softened compared to the highs seen two years ago, but many investors have taken the attitude that this is more of a reset backed to historical valuations prior to the COVID-19 pandemic. 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. 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.

Provident recently attended the 42nd Annual JPM Healthcare Conference in San Francisco and was encouraged by the level of optimism and eagerness from the investor community compared to 2023's conference. Provident anticipates heightened healthcare PE activity and PE exits compared to last year, as investors seek to deploy and return capital to LPs.

Select Transactions

Month	Acquirer	Target	Deal Description
December	NORWEST	 AESTHETIC PARTNERS	Aesthetic Partners is a leading clinical aesthetics-focused practice management company. One of the first platform entrants in the booming aesthetics market, it has added 20 practices since 2019, expanding throughout California, Florida, North Carolina and Virginia.
November	 HAVENCREST		Focus was founded in 2009 and provides both nurse and allied staffing services, across all 50 states, to many of the country's leading integrated delivery networks, acute care hospitals, and other healthcare facilities. Focus was recognized as one of the top five nurse staffing companies in the nation by BluePipes, a professional networking platform dedicated to the healthcare industry.
October			ECIR is a preeminent Southeast clinical research site management organization with eight sites in Florida and Georgia, 14 partnered provider practices, and 26 principal investigators. Led by Rushab Choksi and Rebecca Goldfaden, ECIR manages all aspects of the Phase II – Phase IV trial process and holds deep sponsor relationships across several indications including cardiovascular, dyslipidemia, diabetes, obesity, and ophthalmology. The transaction represents Gauge Capital's entrance into the clinical research site sector.

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Media Citations and Podcasts

Media

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

Podcast

[It's Not Just a Private Equity Game – Traditional Health Systems Are Consolidating, Too](#)

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Healthcare Private Equity Snapshot

Transactions
124

Healthcare transaction volume decreased from the prior quarter, from 143 in Q3-23 to 124 in Q4-23. Valuations have largely reset and are consistent with H1-23 multiples, and overall M&A activity remains robust, but down from the 2021 highs. Private equity continues to turn to healthcare services given the perceived acyclical nature of the business models.

PE Exits
32

Healthcare PE exits in Q4-23 were lower levels compared to historical averages. There were a few notable exits last quarter. Transition Capital Partners exited Hospice Source, which was acquired by National HME (New Mountain Capital), and Susquehanna exited Skin and Cancer Associates, which was acquired by Platinum Dermatology (Sterling Partners).

Investors
186

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
\$5.0B+

Total capital invested and deal volume in Q4-23 faced challenges but displayed resiliency despite 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
\$1.8B

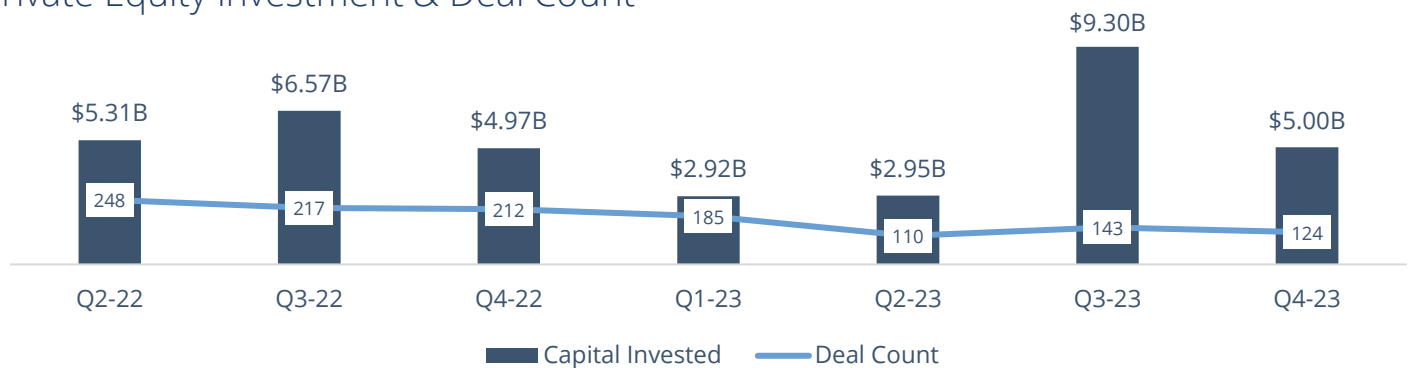
NextGen is a healthcare technology provider that partners with medical, behavioral, and oral health providers. The company was acquired by Thoma Bravo through a \$1.8 billion public-to-private LBO on November 7, 2023. The transaction was supported by \$1 billion of debt financing.



Top Investors by Deal Count



Private Equity Investment & Deal Count



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