

Healthcare Services Private Equity

Q2 2024


Market Update

General: Transaction activity across healthcare services remained strong in Q2 2024 and exceeded deal volume in Q2 2023 but remained below the peaks the market experienced in 2021 and 2022. Pockets of healthcare services are performing better than others, for example, outsourced pharmaceutical services and life sciences deals continue to lead transaction volume as competition for innovative and unique assets remains strong. While multi-site and PPM volumes have dipped from prior quarters, dozens of deals are still closing every month despite the FTC and other regulators closely watching roll-ups. Additionally, the upcoming presidential election does not appear to be impacting M&A activity, however, potential changes to capital gains tax represent significant uncertainty for investors and sellers across the ecosystem. If there is a threat to increase long-term capital gains, we could see many sellers explore the market to transact before any such change takes place. That said, investors seem to be more focused on macroeconomic conditions such as inflation, interest rates, and negative economic growth. Lastly, many PE-backed platforms have pumped the brakes on M&A for a host of reasons, opening the door for other PE funds to opportunistically enter the sector and over-equitize a deal.

Valuations: In the face of the macroeconomic and regulatory battles, valuations have remained fairly stagnant the last few quarters, and Q2 2024 was no different. The sectors that have seen the biggest retreats are behavioral health, home health, and value-based care assets. High-quality assets are still demanding premium multiples, including pharmaceutical and life sciences services, as the market is experiencing a supply and demand imbalance for highly unique, A+ assets.

Exit Activity: Although PE exit activity is not as robust in 2024 as some anticipated, there has been more confidence in the market, as illustrated by the three transactions below. The traditional LMM exit playbook comprises passing platforms upmarket to larger PE firms, however, the bid-ask spread for these assets is slightly more apparent at this level than founder and entrepreneur backed businesses looking to transact.

Select Transactions

Month	Investor	Target	Deal Description
May			Previously backed by Latticework Capital, Xpress Wellness is a physician-led rural healthcare platform that provides a range of high-quality, affordable, and convenient healthcare services to medically underserved communities and residents of nursing homes across Oklahoma, Kansas, and Texas. Xpress will utilize the global network and resources of Goldman Sachs to further the development of new and existing markets, and to build out additional, adjacent healthcare services.
May			Behavioral Innovations is among the largest autism therapy companies in the U.S. with 70+ locations throughout Colorado, Oklahoma, and Texas. Behavioral Innovations was previously backed by Shore Capital, marking the transaction as one of the more notable PE-backed exits of 2024. Tenex and Behavioral Innovations will expand its footprint to more states and add new centers both via de novo and acquisition expansion.
April			VMG Health helps healthcare providers and professional services businesses navigate compliance risk and develop strategic initiatives across a myriad of transactions, joint ventures and partnerships involving hospitals, physician enterprises, post-acute care, outpatient services, health plans, and value-based care arrangements. Incline Equity acquired the equity interest in VMG from Northlane Capital. VMG will continue to expand its client base and diversify its service offerings across functions and sectors.

Provident Industry Coverage Team

Scott Davis
Managing Director
(617) 226-4259
sdavis@providenthp.com

Michael Patton
Managing Director
(617) 226-4205
mpatton@providenthp.com

Eric Major
Managing Director
(617) 226-4212
emajor@providenthp.com

Kevin McDermott
Vice President
(617) 226-4256
kmcdermott@providenthp.com

Media Citations and Podcasts

Media

[Private Equity Interest in Pain Management 'Starting to Heat Up'](#)

Podcast

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