



Healthcare Check-Up

Q3 2023

Featuring:

- Quarterly Overview
- Market Trend Report
- Relevant M&A Activity

Q3 2023 Market At A Glance

The Healthcare Check-Up provides exclusive insights into market trends, recent merger and acquisition activity, capital markets activity, and major news stories within the Healthcare Services sector.

Healthcare Services M&A



233
Transactions

- 25.1%
Change YoY



\$6.6 billion
Disclosed
Transaction Value

- 56.2%
Change YoY

Private Financings



752
Transactions

- 49.6%
Change YoY



\$15.6 billion
Disclosed
Transaction Value

- 42.6%
Change YoY

Public Companies

1.5x
Median LTM
EV / Revenue

12.1x
Median LTM
EV / EBITDA



+ 7.6%
Median Revenue
Growth YoY

29.1%
Median Gross
Margin

Founded in 2003, England & Company is an independent investment bank that provides strategic advice on mergers and acquisitions, recapitalizations and restructurings, and capital markets transactions to owners, executives, and boards of directors of domestic and international companies. The firm's clients include leading companies in the Energy & Sustainability, Healthcare, Industrial & Infrastructure, and Technology & Media markets. For further information, please visit: www.englishco.com.

Source(s): Capital IQ, Pitchbook

Quarterly Overview



Healthcare Services transaction activity, which appeared to be stabilizing in Q2 2023, declined.

Strategic and financing activity continued to decline in Q3 2023, reaching the lowest number of transactions since Q4 2022. Overall activity across other sectors of the economy showed similar declines as higher interest rates, tightening of credit, and recession uncertainty all had effects on strategic and financing activity.

Moving into Q3 2023, we expected to see activity pick up in the strategic and financing markets, particularly after Labor Day. However, that momentum did not materialize. In many cases, we advised clients and prospects to focus on maximizing their results in Q4 2023 and to wait until Q1 2024 to pursue transactions.

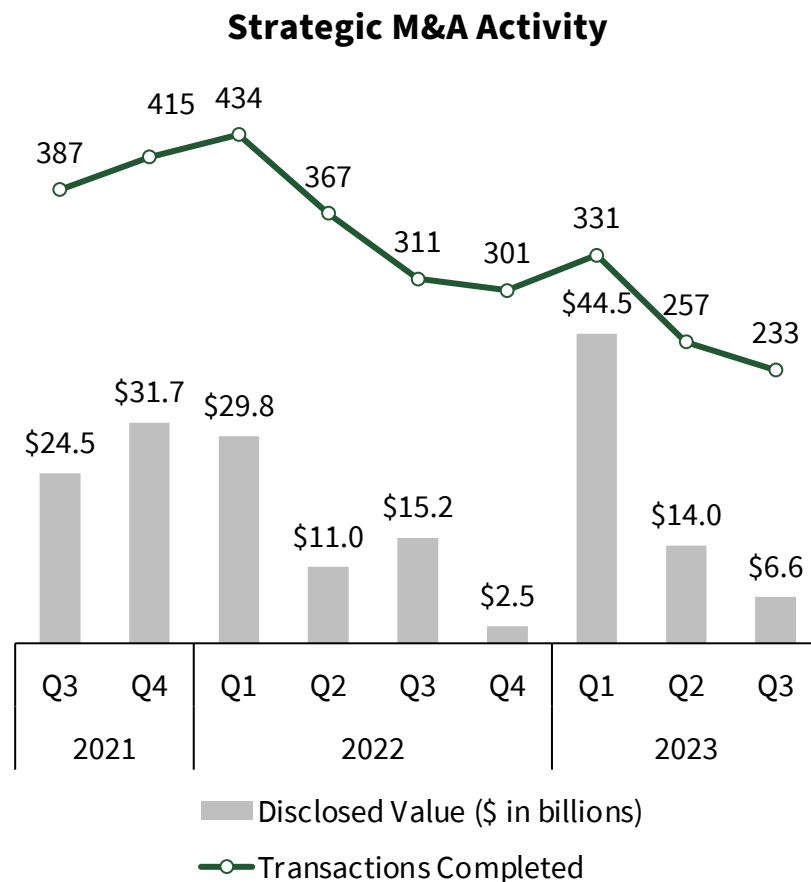
With private equity funds having raised considerable amounts of capital in 2022 and 2023 based on successful monetizations in 2019 – 2021, and with many portfolio companies having moved beyond their “sell by date”, we are expecting a busier 2024. We would not be surprised to see companies kick off processes at conferences early in the new year.

Healthcare Services Merger & Acquisition Activity

Strategic M&A activity started the year strong with 331 transactions in Q1 2023 but experienced a downward trend throughout the year, with Q3 2023 transaction volume 29.6% lower than Q1 2023.

Health system mergers continued to make up a significant percentage of the activity, with both cross-market and same-geographic market transactions. Health systems are seeking to expand their geographic reach and achieve economies of scale through mergers. Cross-market mergers are expected to become more common as regulators increase scrutiny of transactions in the same geographic area.

A significant number of transactions in Q3 2023 involved bankrupt hospitals. Bankruptcies were typically tied to increased labor costs, patient volume declines, and reimbursement challenges. Examples included American Advanced Management, which reached an initial letter of intent with the San Benito Health Care District for Hazel Hawkins Memorial Hospital, and DAP Health, which completed the acquisition of Borrego Health after receiving approval from the bankruptcy court and the California Health Resources and Services Administration.



Source(s): Pitchbook

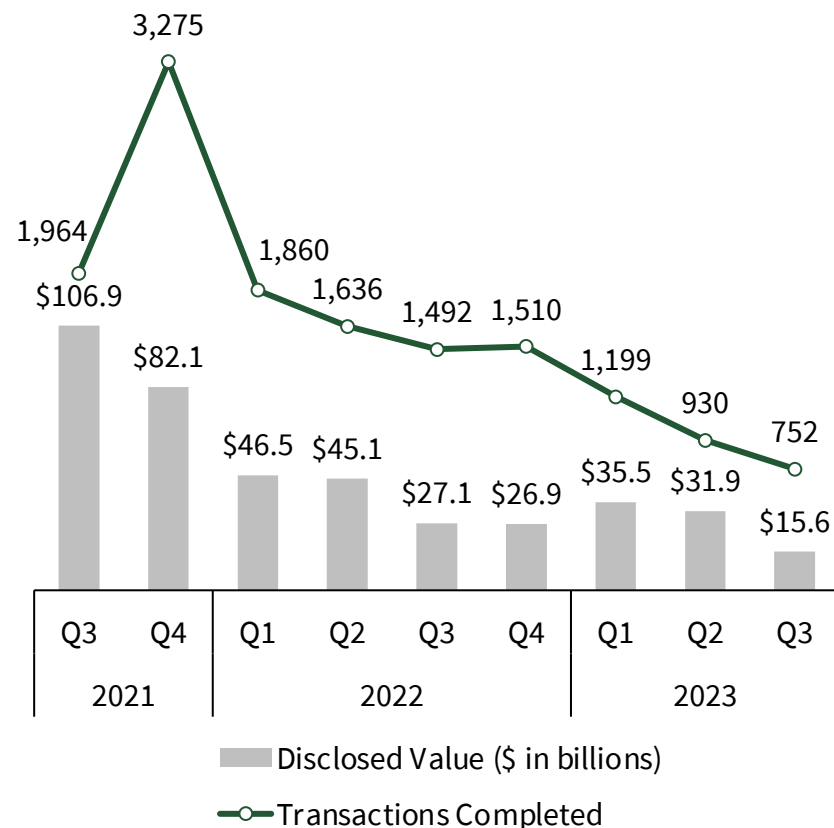
Healthcare Services Private Financing Activity

Private financing volume continued to decline in Q3 2023, despite high levels of capital in growth and private equity (PE) funds awaiting deployment. A total of 752 financing transactions were completed this quarter, a 19.1% decline compared to Q2 2023.

One trend contributing to the slowdown in financing activity has been a change in platform building due to debt availability and investor risk posture. While platforms are still being funded, it has been at a slower rate than previous quarters. Add-on deal count is down in several physician specialties, as well as in behavioral (see below), and home healthcare. Funding demand has also been reduced as platforms have added smaller acquisitions. In the case of home healthcare, available assets have been reduced by significant prior acquisition activity in 2021 and 2022.

Behavioral health, an active sector from 2020-2022, has experienced a decline in 2023 activity due to scarcity of available targets, buyer-seller valuation differences, and labor shortages. Medication-assisted treatment and in-network outpatient programs (IOPs), along with partial hospitalization programs (PHPs), have become more common and a preferred investor choice over out-of-network substance use disorder treatment centers. PE investment focus has shifted toward “pure” behavioral health, including talk therapy, PHP / IOP, and inpatient psychiatric facilities, with investment interest in in-home therapy options being particularly high. This is consistent with growth in other areas of healthcare for “out-of-hospital” care alternatives.













Financing Activity



Source(s): Pitchbook

Q3 2023 Notable Healthcare Services M&A Transactions

Transaction value above \$250 million












Target	Acquirer	Closed Date	Transaction Value (\$ in millions)	Enterprise Value	
				Revenue	EBITDA
 COR EVITAS® Excellence in Evidence	 ThermoFisher SCIENTIFIC	August 2023	\$912.5	8.3x	NA
 Health AUGUSTA UNIVERSITY	 Wellstar	August 2023	797.0	NA	NA
 laya healthcare	 AYA	August 2023	719.3	NA	NA
 præmia HEALTHCARE	 PRIMONIAL REIM VALUE FROM VALUES	July 2023	1,521.8	NA	NA
 FV HOSPITAL World Class Healthcare in Vietnam	 THOMSON MEDICAL	July 2023	328.5	NA	NA
 Dialogue	 Sun Life	July 2023	275.8	4.0x	NM
Median			\$758.2	6.2x	NM

Source(s): Pitchbook

Note: Transactions as of 9/30/23; NM (non-meaningful) used for companies with negative EBITDA

Q3 2023 Notable Healthcare Services M&A Transactions

Transaction value below \$250 million

Target	Acquirer	Closed Date	Transaction Value (\$ in millions)	Enterprise Value	
				Revenue	EBITDA
 ASCENSUS		September 2023	\$180.0	NA	NA
		September 2023	150.0	NA	NA
	MedTech Acquisition Corp.	August 2023	220.0	13.0x	NM
		August 2023	111.5	NA	NA
		July 2023	115.0	NA	NA
		July 2023	106.5	NA	NA
Median			\$132.5	13.0x	NM

Source(s): Pitchbook

Note: Transactions as of 9/30/23; NM (non-meaningful) used for companies with negative EBITDA

Q3 2023 Developing Trends



Increased Regulatory Scrutiny in the Healthcare Services Sector

In September, the Federal Trade Commission (FTC) accused U.S. Anesthesia Partners Inc. (USAP) and its parent private equity firm, Welsh, Carson, Anderson & Stowe, of a decade-long scheme to suppress competition and drive up prices in the Texas anesthesia market. USAP denied the FTC's allegations and promised to "vigorously defend itself" against the lawsuit. The company argues that the FTC's actions will "disrupt and restrict patients' equitable access to quality anesthesia care in Texas" and "negatively impact the Texas hospitals and health systems that provide care in underserved communities."

FTC's lawsuit could set a precedent for future antitrust cases against private equity firms and their portfolio companies. Private equity firms are firmly pushing back against plans of regulators to scrutinize additional mergers.



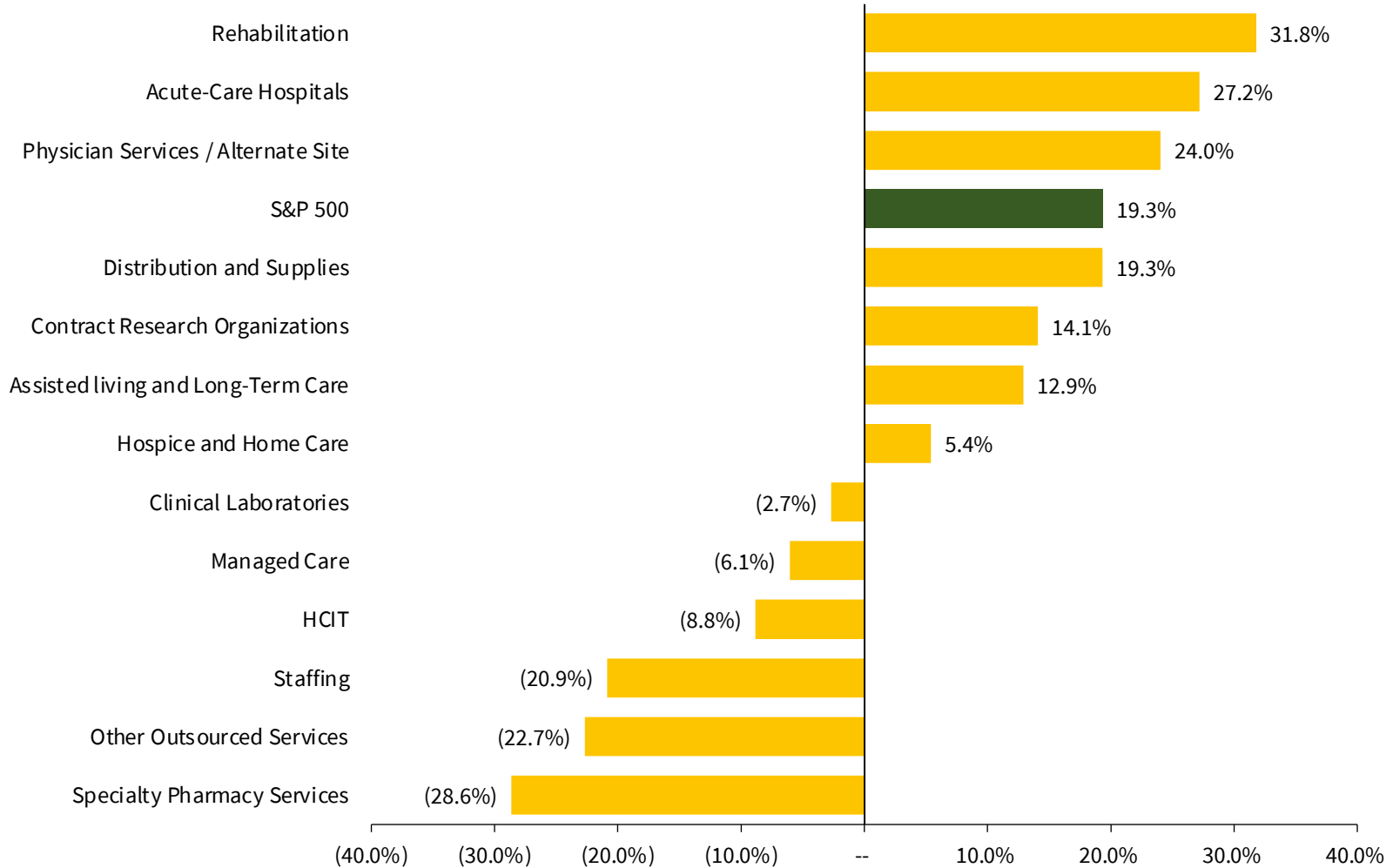
Increased Private Equity Interest in Ambulatory Surgery Centers

The Ambulatory Surgery Center (ASC) market, which was sized at \$84 billion in 2020, is projected to grow to \$131 billion by 2031, a CAGR of 3.9%. This growth is one of the key reasons behind private equity funds' continuing interest in the ASC market. Despite years of consolidation through investor-backed platforms, the industry is still highly fragmented with 70% of ASCs independently owned and the remainder owned by larger conglomerates. Despite a few instances of rough going including the bankruptcy of Envision Healthcare in May of this year, PE ownership in the ASC space has steadily increased due to attractive industry characteristics, continuing potential for consolidation, and opportunity to capitalize on "out-of-hospital" industry trends. While orthopedics, pain management, ophthalmology, and GI continue to be popular specialties, cardiology has shown the most growth recently as services previously provided in hospitals migrate to ASCs.

Source(s): Fierce Healthcare, VMG Health

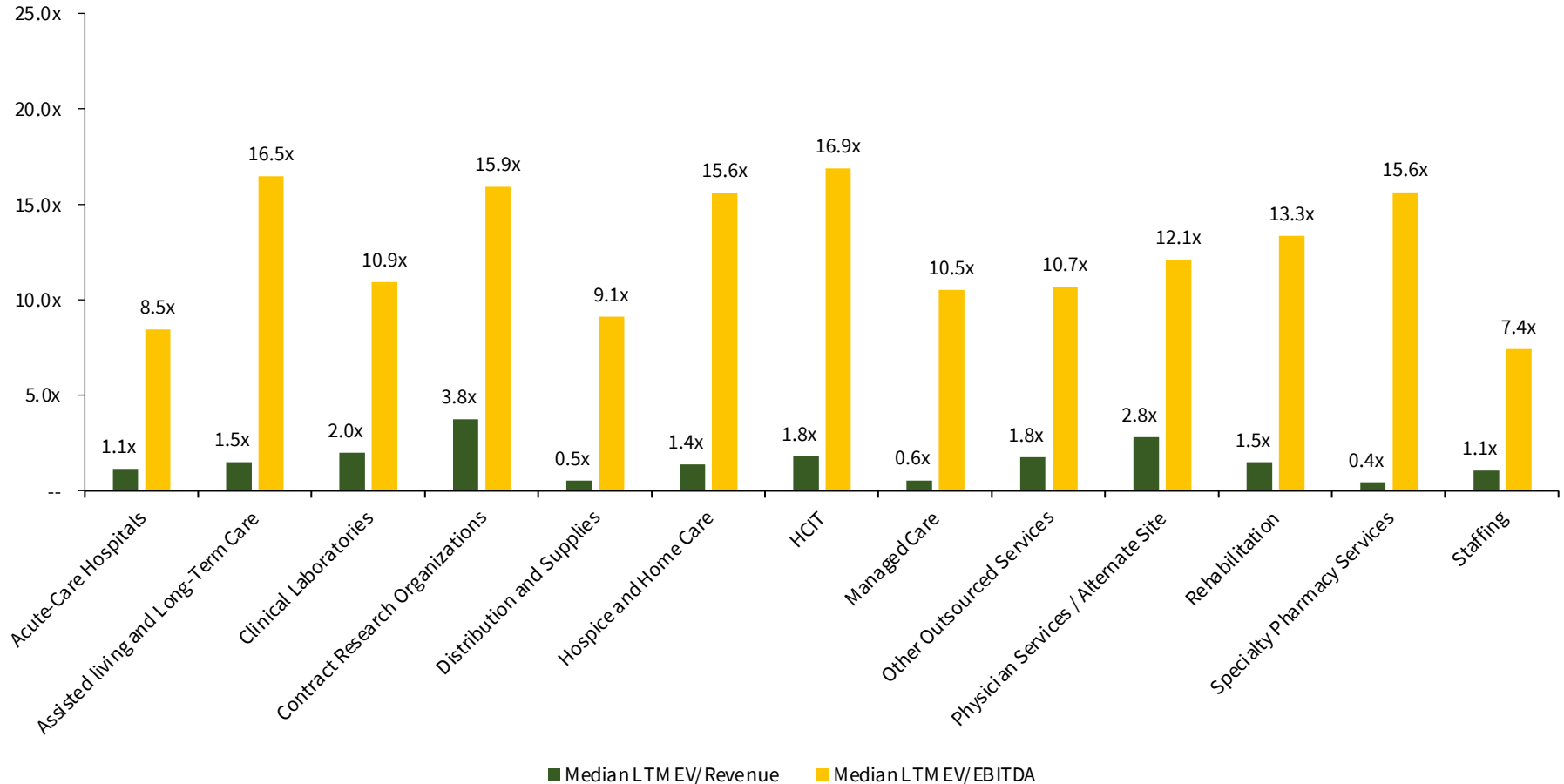
Public Market Performance

12 Month Stock Returns





























Source(s): Capital IQ
Note: Performance as of 9/30/23

Public Company Valuation Analysis By Sector



Source(s): Capital IQ
 Note: Valuation as of 9/30/23

Recent Healthcare Experience

 has acquired  Buy-Side Advisor	 has been acquired by  Sell-Side Advisor	 has been acquired by  Sell-Side Advisor	 Debt Financing Exclusive Placement Agent	 has been acquired by  A subsidiary of Colfax Sell-Side Advisor
 \$12,700,000 Series C-1 Preferred Stock Exclusive Placement Agent	 has been acquired by  Sell-Side Advisor	 \$38,500,000 Series C Preferred Stock Exclusive Placement Agent	 has been acquired by  Sell-Side Advisor	 has been acquired by  Sell-Side Advisor
 has acquired  Buy-Side Acquirer	 has acquired  Buy-Side Acquirer	 has made a strategic investment in Israeli Medical Device Company Exclusive Placement Agent	 has been acquired by  Sell-Side Advisor	 has been acquired by  Sell-Side Advisor

Includes certain transactions closed by England team members prior to employment at England

About England & Company

Founded in 2003, England & Company is an independent investment bank that provides strategic advice on mergers and acquisitions, recapitalizations and restructurings, and capital markets transactions to owners, executives, and boards of directors of domestic and international companies. The firm's clients include leading companies in the Energy & Sustainability, Healthcare, Industrial & Infrastructure, and Technology & Media markets. For further information, please visit: www.Englandco.com.

All securities transactions offered through England Securities, LLC – member FINRA/SIPC

Healthcare Investment Banking Team

Craig W. England

Chief Executive Officer
Houston, TX
(713) 357-9441
cwengland@englandco.com

J. Andrew Cowherd

Managing Director
New York, NY
(212) 235-0855
acowherd@englandco.com

William C. Getz

Managing Director, Debt Advisory
Houston, TX
(713) 357-9447
bill.getz@englandco.com

Kiat Tan

Managing Director
Singapore
+65 6990-3422
ktan@englandco.com

Paul D. Teitelbaum

Managing Director
New York, NY
(212) 235-0857
pteitelbaum@englandco.com

John R. Warmath

Senior Vice President
New York, NY
(212) 235-0863
john.warmath@englandco.com

Jaclyn L. Doak

Vice President
New York, NY
(212) 235-0854
jldoak@englandco.com

Houston | New York | San Diego | Washington, DC | Singapore

The information contained in this report has been obtained from sources believed to be reliable. England Securities, LLC ("England") is dependent upon such sources (including company reports, public filings, press releases, and related news articles) for its information and does not guarantee or warrant the accuracy or completeness of these data sources or of the analyses and data contained herein. Nothing in this report constitutes an offer to buy or sell, or the solicitation of an offer to buy or sell, any security. Nothing contained in this publication is intended to be a recommendation of a specific security or company, nor is any of the information contained herein intended to constitute an analysis of any company or security reasonably sufficient to form the basis for any investment decision. Additionally, England does and seeks to do business with companies covered in its publications. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this publication. Moreover, officers and/or employees of England and its affiliates, or members of their families, may from time-to-time have long or short positions in securities of companies mentioned in this publication. Unless otherwise indicated, information presented herein with respect to the experience of England also includes transactions effected by the professionals of England prior to the date they joined the firm.