



Healthcare Check-Up



Q1 2024



Featuring:

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

Q1 2024 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		122 Transactions	- 19.2% Change YoY		\$13.1 billion Disclosed Transaction Value	- 31.6% Change YoY
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Private Financings		532 Transactions	- 38.6% Change YoY		\$39.6 billion Disclosed Transaction Value	+29.2% Change YoY
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Public Companies		1.4x EV / Median LTM Revenue	13.9x EV / Median LTM EBITDA		+ 7.8% Median Revenue Growth YoY	33.6% Median Gross Margin
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Sources: Capital IQ, Pitchbook

Quarterly Overview



Healthcare Services transaction activity started 2024 mixed, with strategic M&A ticking up slightly, while financing activity continued to decline in 1Q24.

Financing activity declined again in 1Q24, continuing its drop to post-pandemic lows. Aggregate disclosed transaction sizes for financings, however, continued to increase quarter-over-quarter, driven by notable debt transactions in the sector – including UnitedHealth Group’s (NYSE: UNH) \$6 billion Senior Unsecured Note Issuance. In 1Q24, ~\$35.0 billion of the \$36.9 billion disclosed transaction value was comprised of either new debt issuance or debt refinancing; the prevalence of debt financings is driven primarily by an increase in the cost of equity capital, disparate valuation expectations between companies and investors, and the need for cash, as companies in the healthcare services sector have experienced lower earnings through 2023 and 1Q24.

From a macro perspective, signs show that the Fed will continue to hold rates higher than originally anticipated, adversely affecting asset valuations. As a result, though financial investors have transactions in the pipeline, processes are expected to progress at a slower pace, with activity picking up in 2H24 and early 2025 in the hopes of aligning with increased valuations and decreased interest rates.

Healthcare Services Merger & Acquisition Activity

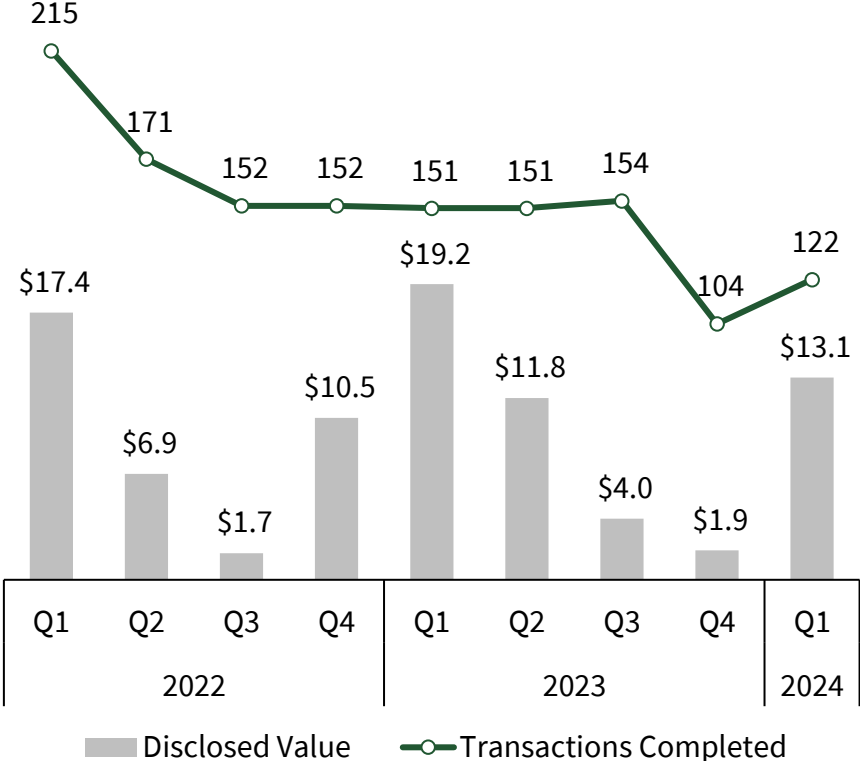
Strategic M&A activity shows signs of recovering with 122 transactions completed in 1Q24, experiencing an upward trend from the prior quarter, with 1Q24 transaction volume 17.3% greater than 4Q23.

1Q24 M&A activity was led by transactions in hospitals, health systems, and pharmacy, with BJC HealthCare’s \$10 billion acquisition of Saint Luke’s Health System leading the quarter. This quarter saw a wave of asset sales by large health systems, including Tenet Health, HCA Healthcare, and Ascension, with Tenet selling nine hospitals across California and South Carolina, 27 physician clinics, an outpatient center, and a free-standing emergency department. Transaction activity is expected to continue for hospitals and health systems, as some systems build up to better navigate financial pressures and develop more clout in payer negotiations. One example is Northwell Health’s 1Q24 proposed acquisition of Nuvance Health, which would create a system with 28 hospitals and more than 1,000 care sites across NY and CT.

Elevance Health’s (NYSE: ELV) \$1 billion acquisition of Paragon Healthcare led the pharmacy sector in 1Q24. Not slowing down, later in the quarter Elevance’s Carelon division announced the purchase of Kroger’s specialty pharmacy business.

(\$ in billions)

Strategic M&A Activity



Sources: Pitchbook; Modern Healthcare

Healthcare Services Private Financing Activity

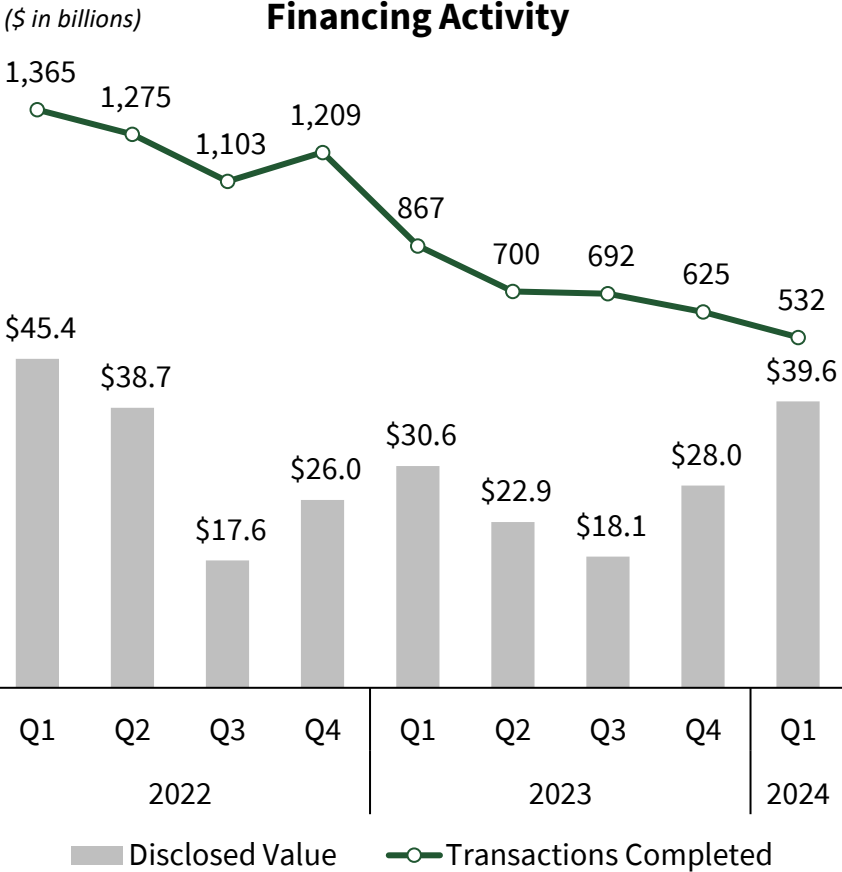
Private financing volume continued its recent decline in 1Q24, despite large amounts of private capital waiting to be deployed. A total of 532 financing transactions were completed this quarter, a 14.9% decline compared to 4Q23, while transaction values increased due to a select few significant financings this quarter.

PE healthcare services investing continued to stagnate in 1Q24, with closings totaling an estimated 532 transactions, a downward trend even from 2023’s sluggish pace. Clinics and outpatient services led transaction volume, with 206 transactions totaling \$4.3 billion, while disclosed transaction values were led by insurance and other healthcare services which totaled \$7.0 billion across 78 transactions – comprised mainly of the aforementioned \$6.0 billion note issuance by UnitedHealth Group.

In 1Q24, private financing transactions in healthcare services were comprised primarily of buyouts/LBO transactions with 117 financings completed, and later stage VC and early stage VC following behind at 91 and 72 transactions in 1Q24, respectively.













We are sensing a more optimistic view around transactions beginning to take shape, with more sponsors actively looking to deploy capital and debt financing easier to come by, but continuing high interest rates and a negative regulatory environment are expected to continue to create headwinds around healthcare services transactions in the near term.

Source: Pitchbook



Q1 2024 Notable Healthcare Services M&A Transactions

Transaction value above \$250 million










Target	Acquirer	Closed Date	Transaction Value	Enterprise Value	
			(\$ in millions)	Revenue	EBITDA
 Sierra Vista HOSPITAL	 Adventist Health	March 2024	\$550.0	N/A	N/A
 Specialty Networks	 CardinalHealth™	March 2024	1,170.0	N/A	N/A
 Tenet Health	 UCI Health	March 2024	975.0	N/A	N/A
 elixir	 MedImpact	February 2024	576.5	N/A	N/A
 acclara.	 R1.	January 2024	675.0	N/A	N/A
 Saint Luke's HEALTH SYSTEM	 BJC HealthCare	January 2024	10,000.0	N/A	N/A
Median			\$825.0	N/A	N/A

Source: Pitchbook

Note: Transactions closed as of 3/31/24

Q1 2024 Notable Healthcare Services M&A Transactions

Transaction value below \$250 million

Target	Acquirer	Closed Date	Transaction Value	Enterprise Value	
			(\$ in millions)	Revenue	EBITDA
Community Family Care Medical Group	 Astrana Health	March 2024	\$202.0	1.1x	8.1x
 Baystate Health	 labcorp	March 2024	151.1	N/A	N/A
 Lenco DIAGNOSTIC LABORATORY	 Quest Diagnostics™	February 2024	111.0	N/A	N/A
 LOURDES	 GUTHRIE	February 2024	140.0	N/A	N/A
 PATHOLOGY WATCH	 SONIC HEALTHCARE	January 2024	150.0	N/A	N/A
Median			\$150.0	1.1x	8.1x

Source: Pitchbook

Note: Transactions closed as of 3/31/24

Q1 2024 Developing Trends

Capital Availability and M&A



Improving capital markets conditions during 2024 should provide a boost to M&A activity overall. The healthcare services sector is expected to be a beneficiary. We believe interest rates have peaked, and after assuming a Mies van der Rohe posture for much of 2023, banks have come back to the M&A market in 2024. In 2023, private credit managers raised over \$135 billion, and at year end an estimated \$340 billion of dry powder was on the sidelines waiting to be deployed. Private credit has already moved into the healthcare services transactions market. Combined with a substantial amount of growth and PE dollars raised during the past few years based on successful exits in 2019-2022, there is a lot of money that needs to be put to work – the clock is ticking. Add in a number of healthcare services companies that are beyond their “sell-by” dates, had delayed sale processes in 2022 and 2023, or are in funds that need liquidity events in preparation for upcoming fundraisings, and you have a formula for a pick-up in transaction activity. There is still the minor problem of getting buyers and sellers together on valuations.

Pharmacy – Capsule Summary

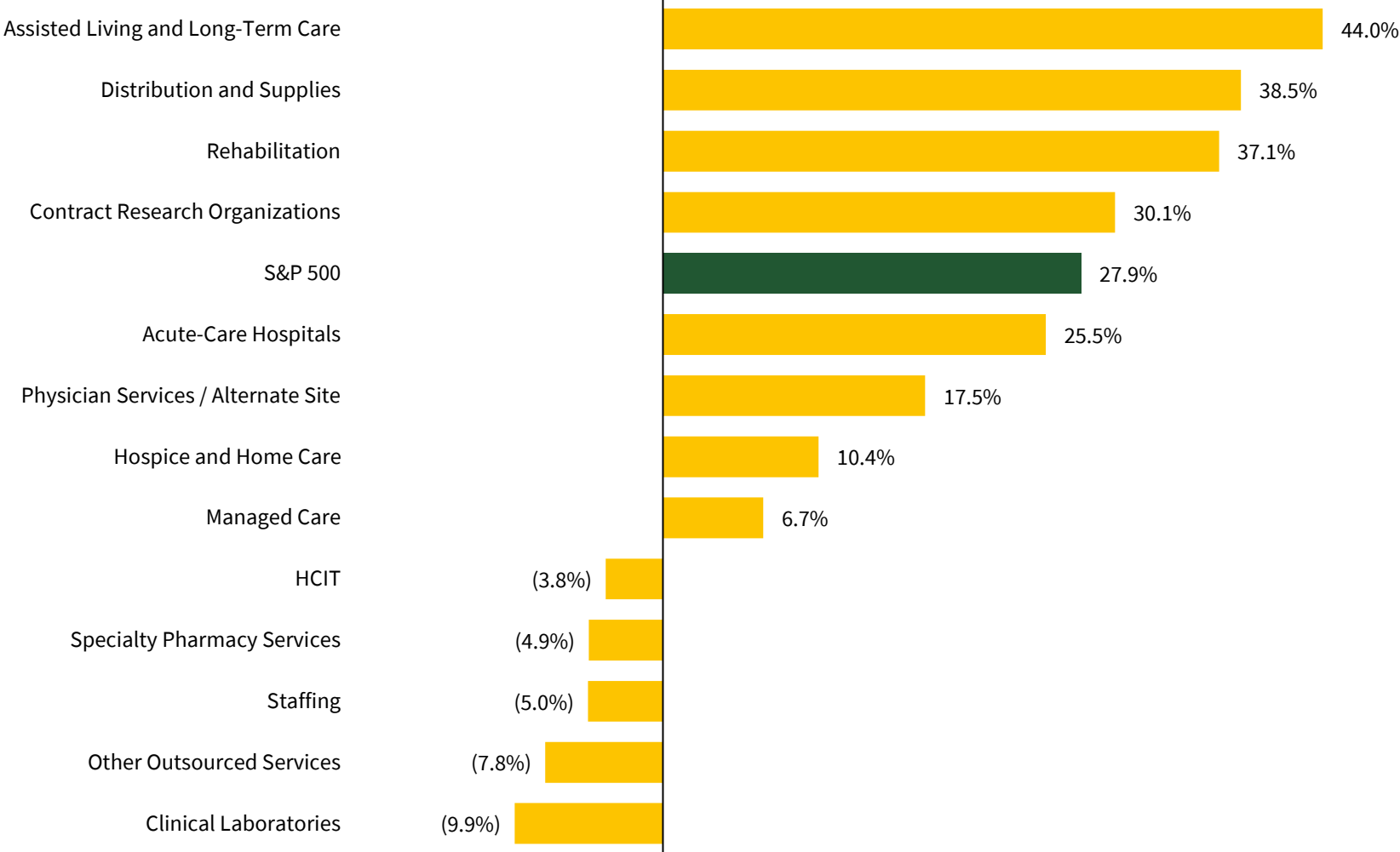


We expect to see continuing activity in retail and specialty pharmacy throughout the year. As creditors and the United States Bankruptcy Court–District of New Jersey continue to sort out the Rite Aid bankruptcy, store closures and sales of locations and scripts files are expected to continue. Walgreens and CVS continue to rationalize their footprints and reorganize certain business lines, while at the same time Walgreens continues to promote its independent pharmacy acquisition program. Smaller chains look to fill in market gaps in part created by the above-mentioned activity with additional stores that provide better patient service and convenience, along with specialty pharmacy capabilities. Family owned local and regional chains facing legacy and estate issues, to go along with continuing pressures from PBMs, are likely to seek larger partners. And grocery chains continue to actively manage their pharmacy presence. In Q1 Albertson’s launched an app combining pharmacy, nutrition, and telehealth. In late Q1, Kroger announced the sale of its specialty pharmacy business to the Carelon Health division of Elevance. Growth equity and PE investors are monitoring the sector intently for opportunities.

Sources: American Investment Council, Fierce Healthcare, VMG Health

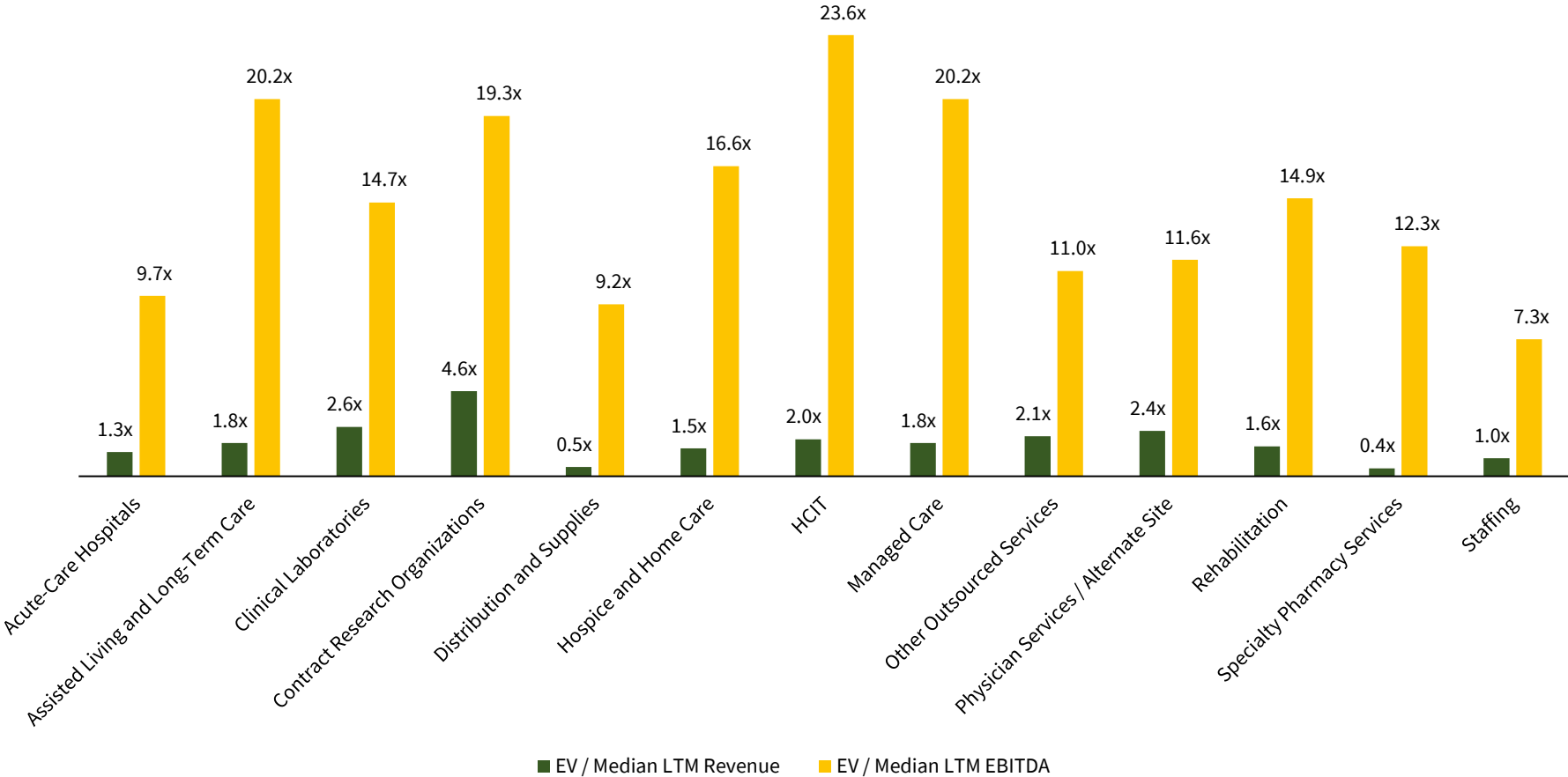
Public Market Performance

12-Month Stock Returns



Source: Capital IQ
Note: As of 3/31/24

Public Company Valuation Analysis By Sector



Source: Capital IQ
 Note: As of 3/31/24

Recent Healthcare Experience

 <p>recapitalization by</p>  <p>Exclusive Financial Advisor</p>	 <p>has entered into a strategic relationship with</p>  <p>Exclusive Financial Advisor</p>	 <p>\$18,000,000 Convertible Notes</p> <p>Exclusive Placement Agent</p>	 <p>Working Capital Facility</p> <p>Exclusive Placement Agent</p>	 <p>\$38,400,000 Series C Preferred Stock</p> <p>Exclusive Placement Agent</p>
 <p>has been acquired by</p>  <p>Sell-side Advisor</p>	 <p>has been acquired by</p>  <p>Sell-side Advisor</p>	 <p>has been acquired by</p>  <p>Sell-side Advisor</p>	 <p>Preferred Stock</p> <p>Financial Advisor</p>	 <p>has entered into a strategic partnership with</p>  <p>Financial Advisor</p>
 <p>has made a strategic investment in</p>  <p>Financial Advisor</p>	 <p>has made a strategic investment in</p>  <p>Financial Advisor</p>	 <p>has entered into a strategic partnership with</p>  <p>Financial Advisor</p>	 <p>has been acquired by</p>  <p>Sell-side Advisor</p>	 <p>has been acquired by</p>  <p>Sell-side Advisor</p>

About England & Company

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