



Healthcare Check-Up

Q4 2023



ENGLAND
COMPANY
INVESTMENT BANKING



Featuring:

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

Q4 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		102 Transactions	- 32.9% Change YoY		\$2.5 billion Disclosed Transaction Value	- 76.6% Change YoY
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Private Financings		593 Transactions	- 48.7% Change YoY		\$27.5 billion Disclosed Transaction Value	7.6% Change YoY
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Public Companies		1.6x Median LTM EV / Revenue	12.4x Median LTM EV / EBITDA		+ 5.9% Median Revenue Growth YoY	28.8% Median Gross Margin
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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.

Sources: Capital IQ, Pitchbook

Quarterly Overview



Healthcare Services transaction activity decreased in each quarter of 2023, including Q4

Both strategic and financing activity declined again in Q4 2023, dropping to post-pandemic lows. The aggregate disclosed transaction sizes for financings, however, increased quarter-over-quarter, primarily due to a handful of significant debt transactions in the sector. In Q4 2023, ~\$18.0 billion of the \$27.5 billion disclosed transaction value was comprised of either new debt issuance or debt refinancing, which is reflective of the highly selective nature of PE managers with regard to where they deploy capital in the current macro environment; thus, leaving debt as the primary source of capital available to address the liquidity constraints that have been plaguing the healthcare services sector in 2023.

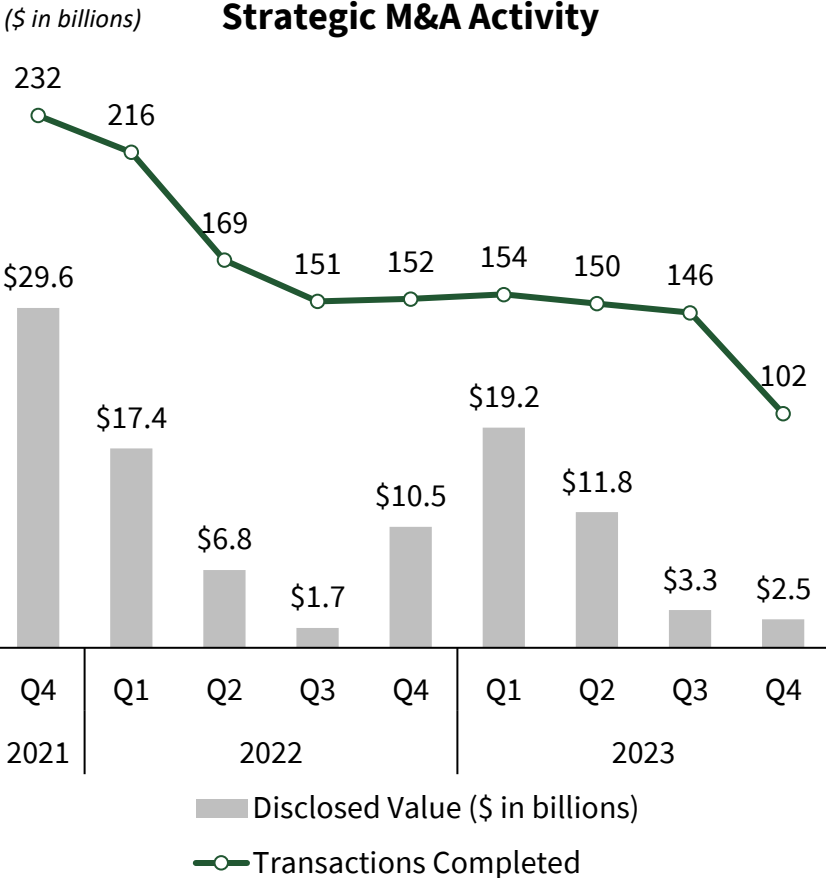
As the overall economy stabilizes from the effects of higher interest rates, tightening of credit, and recession uncertainty, healthcare services activity is expected to rebound in early 2024, especially for platform assets and larger transactions.

Healthcare Services Merger & Acquisition Activity

Strategic M&A activity started the year with 154 transactions in Q1 2023 but experienced a downward trend for the remainder of the year, with Q4 2023 transaction volume 32.9% lower than Q4 2022.

Q4 activity was dominated by transactions in the clinics, hospitals, and practice management segments, although overall activity was the lowest for the year in terms of both the number of transactions and dollar volume. Much of the Q4 activity was driven by PE-backed platforms, which accounted for over 50% of the transactions. However, the higher interest rate environment continued to make it challenging for PE firms to expand debt to grow platforms through acquisitions. Much of the activity throughout the year trended towards smaller bolt-ons versus larger platform transactions.

Other areas of activity, which have been regular segments of consolidation for several years, included behavioral health, diagnostic labs and imaging, and home care & hospice.



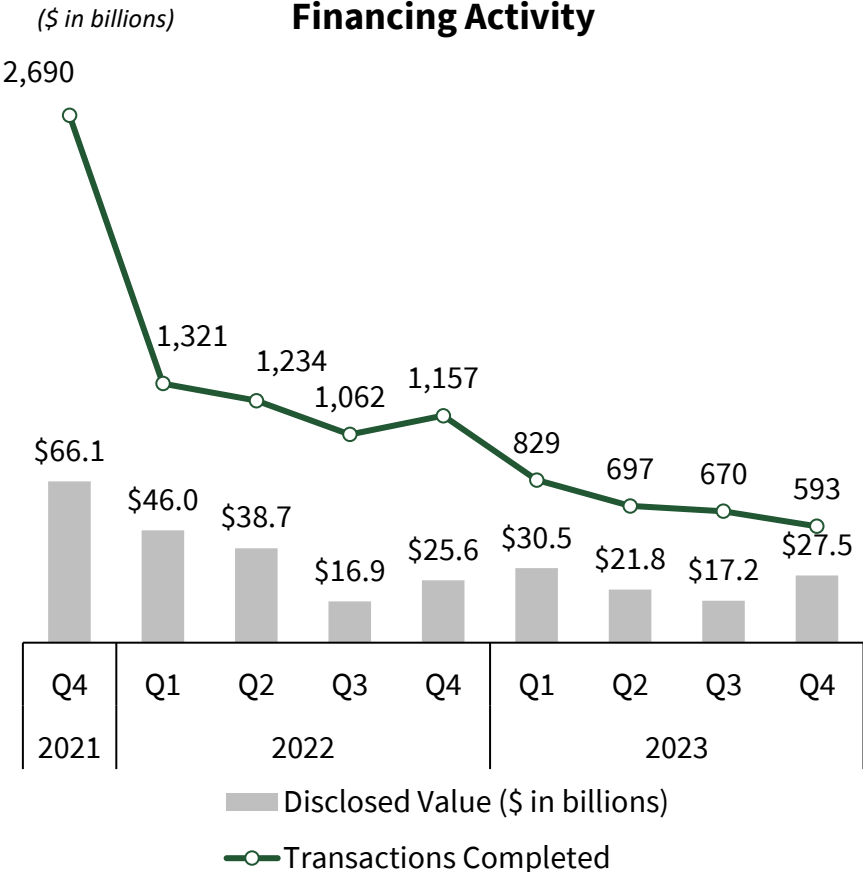
Source: Pitchbook

Healthcare Services Private Financing Activity

Private financing volume continued its recent decline in Q4 2023, despite large amounts of private capital waiting to be deployed. A total of 593 financing transactions were completed this quarter, a 11.5% decline compared to Q3 2023. Dollar volume was up due to a few large transactions.













Healthcare services private financing transaction volume was led by clinics & outpatient services, comprising 218 transactions totaling \$1.9 billion. From a transaction value perspective, private financings were led by practice management totaling \$4.2 billion across 37 transactions – driven by Thoma Bravo’s \$1.8 billion take private of NextGen Healthcare and Clayton, Dubilier & Rice’s buyout of Promedica Hospice for \$710.0 million, both transactions occurring in November 2023.

In Q4 2023, private financing transactions in the healthcare services sector were comprised primarily of private equity transactions with 232 transactions completed, of which 41 can be classified as growth equity transactions. Behind PE-led transactions, venture capital groups engaged in the most transactions with 205 completed.



Source: Pitchbook

Q4 2023 Notable Healthcare Services M&A Transactions

Target	Acquirer	Closed Date	Transaction Value (\$ in millions)	Enterprise Value	
				Revenue	EBITDA
 ALVARADO HOSPITAL MEDICAL CENTER	 UC San Diego HEALTH SYSTEM	December 2023	200.0	NA	NA
 MEDICAL Search DRW HEALTHCARE STAFFING	 AMN Healthcare	November 2023	300.0	2.9x ⁽¹⁾	NA
 SILK LASER CLINICS	 Wesfarmers	November 2023	116.7	1.8x	8.7x
 relivant medsystems	 Boston Scientific	November 2023	850.0	12.1x	NA
 AQuity Solutions	 IKS HEALTH	October 2023	200.0	1.1x	8.0x
 vita health	 Spire Healthcare	October 2023	111.5	NA	NA
Median			\$200.0	2.4x	8.4x

1. EV / Revenue multiple as of 2022A revenue; annualized YTD 2023A revenue of \$155M results in a 1.9x EV / Revenue multiple

Source: Pitchbook

Note: As of 12/31/23

Q4 2023 Developing Trends

Healthcare Staffing Activity Set to Rebound?



Strategic activity in healthcare staffing in 2023 was influenced by the continuing post-pandemic fallout in the marketplace. Companies with significant exposure to travel nursing experienced 25-40% reductions in revenues in 2023 versus 2022 because of a continuing decrease in the number of shifts booked and declining bill rates. AMN recently reported YOY declines in revenue of 28% and a Q4 decline of 27% versus Q4 2022. Cross Country similarly reported a 28% decline in revenues for the year and a 34% decline in Q4 2023 versus Q4 2022. “The Great Reset,” as AMN labeled the phenomenon, combined with the continuing elevated level of interest rates, tightened borrowing availability, and a difference in buyer and seller valuation expectations often tied to disagreements over “adjusted EBITDA,” had a dampening effect on strategic activity. We have identified nine PE-backed platforms that are beyond their five-year holding period “sell-by date” and will potentially seek sales or recapitalizations before year-end 2024. In addition, with 20 PE-backed platforms looking for add-ons and another 50+ PE funds with healthcare services as a primary target sector, we expect activity to pick up later in the year, particularly if interest rates trend lower. A few companies entered the market in late Q4 2023 and Q1 2024. A bright spot in staffing has been locums businesses, which have benefited from physician burnout, baby boomer demographics driving more physician attention, advanced practice models, and health systems moving to team approaches using locums to fill staff gaps, the evaluation of personnel float pools by large systems, and the ongoing expansion of telehealth. AMN acquired a locums company in Q4 and another locums company is currently nearing the end of a sale process in Q1 2024.



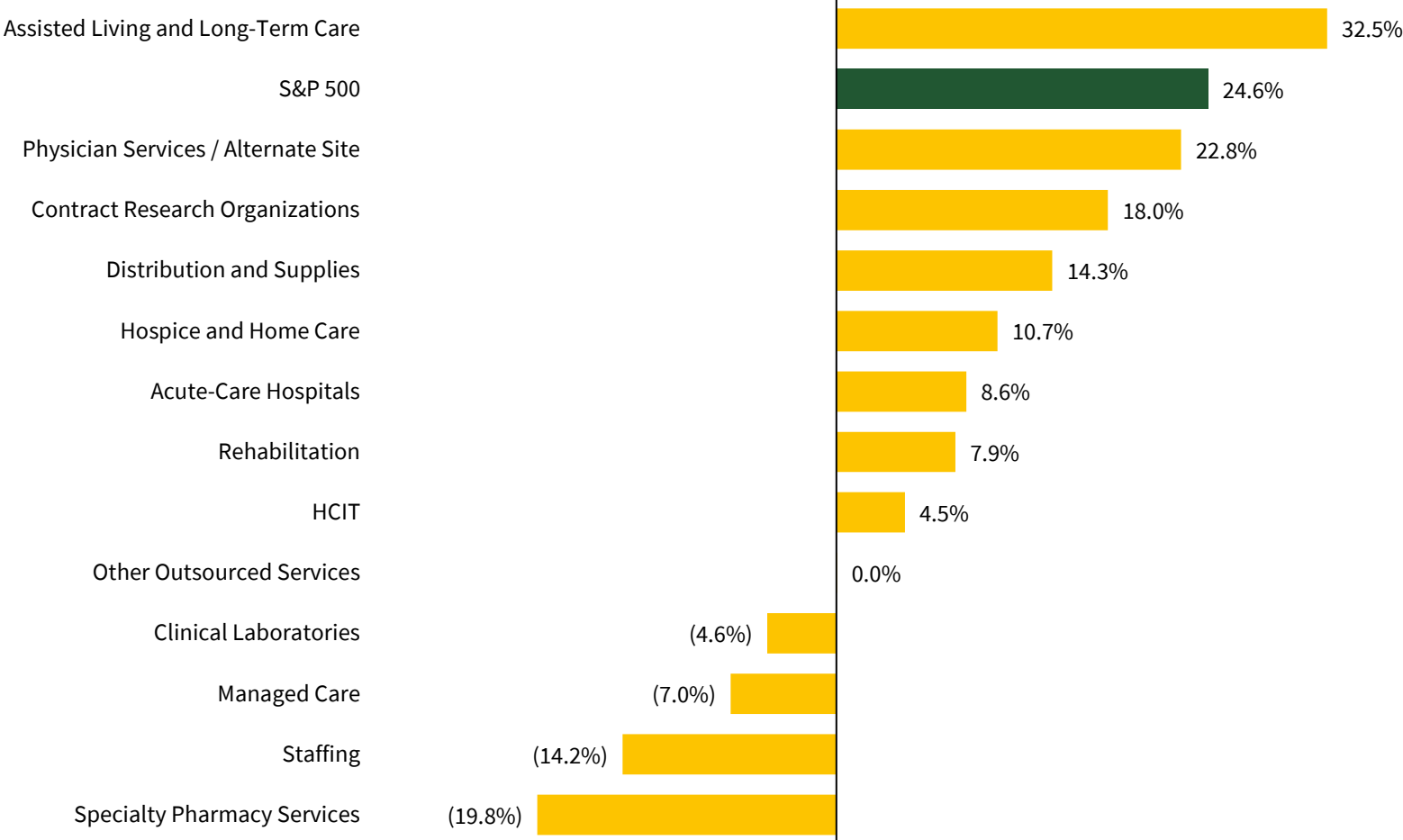
Continued Regulatory Scrutiny in the Healthcare Services Sector

Last quarter, we noted FTC scrutiny of PE owners and their portfolio companies, citing the FTC suit against U.S. Anesthesia Partners and its owner, Welsh, Carson, Anderson & Stowe. This quarter, the FTC found new targets as it sued to block Tenet Healthcare’s sale of its San Ramon Regional Medical Center to John Muir Health. Regulatory concerns are thought to have also been a factor in the breakup of the Cigna-Humana combination. On December 7, 2023, the White House issued a fact sheet that condemned “corporate greed in health care” and “aggressive profiteering by private equity-owned practices,” listing several services segments, including physician practices, home care, and nurse staffing as examples. We expect transaction scrutiny to remain high throughout the current administration.

Sources: Fierce Healthcare, VMG Health

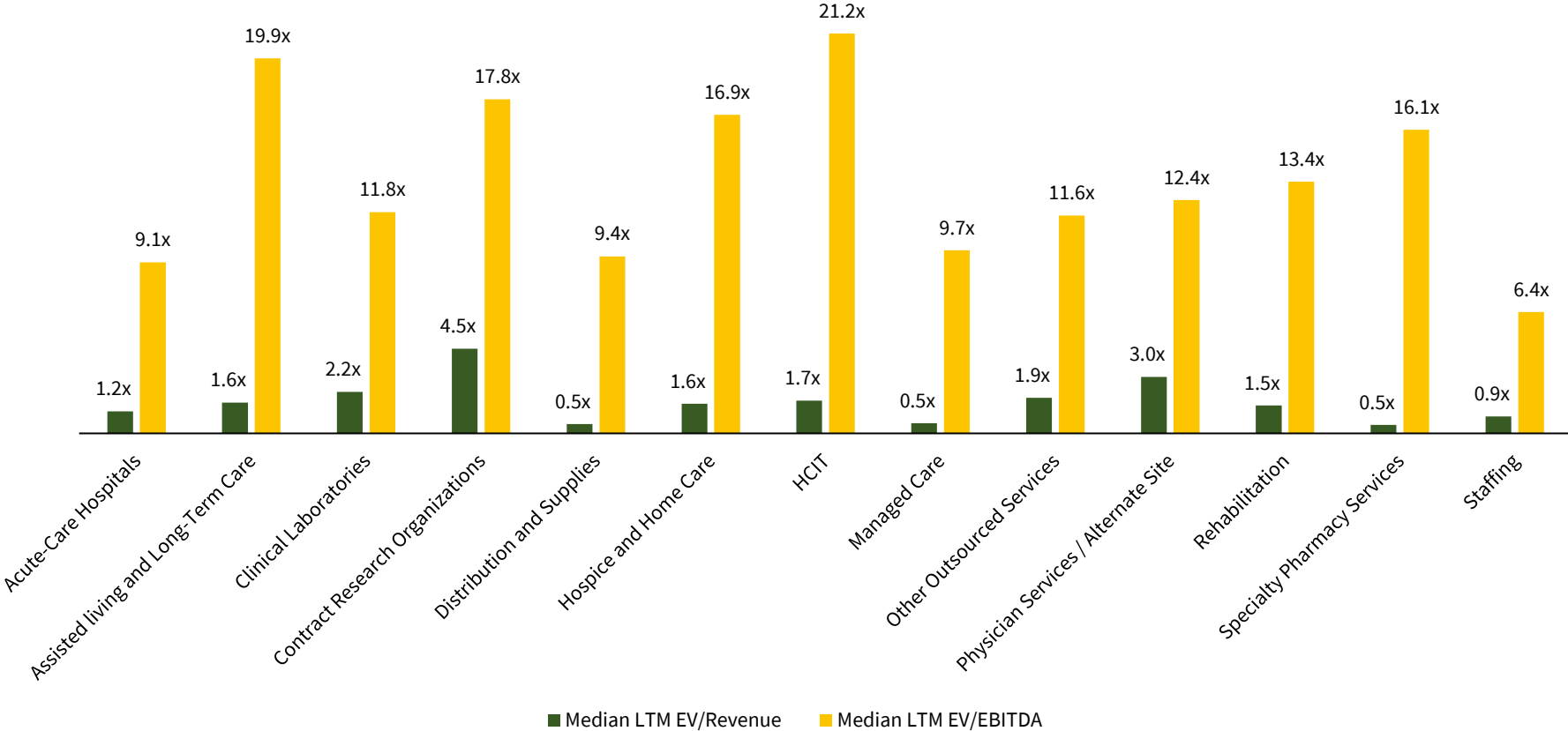
Public Market Performance

12-Month Stock Returns






























Source: Capital IQ
Note: As of 12/31/23

Public Company Valuation Analysis By Sector



Source: Capital IQ
 Note: As of 12/31/23

Recent Healthcare Experience

 <p>recapitalization by</p>   <p>Exclusive Financial Advisor</p>	 <p>has acquired</p>  <p>Buy-Side Advisor</p>	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>	 <p>has entered into a strategic relationship with</p>  <p>Exclusive Financial Advisor</p>	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>
 <p>\$21,000,000 Debt Financings</p> <p>Exclusive Placement Agent</p>	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>	 <p>\$12,700,000 Series C-1 Preferred Stock</p> <p>Exclusive Placement Agent</p>	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>	 <p>\$38,500,000 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 acquired</p>  <p>Buy-Side Advisor</p>	 <p>has acquired</p>  <p>Buy-Side Advisor</p>	 <p>has made a strategic investment in</p> <p>Israeli Medical Device Company</p> <p>Buy-Side Advisor</p>

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

About England & Company

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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

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

Scott Cousino

Senior Advisor

Washington D.C.

(410) 258-8775

srcousino@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

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