



Healthcare Check-Up

Q2 2024



ENGLAND
COMPANY
INVESTMENT BANKING



Featuring:


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

Q2 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		267	- 22.2%		\$6.3 billion	- 55.0%
		Transactions	Change YoY		Disclosed Transaction Value	Change YoY

Private Financings		442	- 21.1%		\$54.8 billion	+174.0%
		Transactions	Change YoY		Disclosed Transaction Value	Change YoY

Public Companies	1.7x	14.2x		+ 8.3%	21.5%
	EV / Median LTM Revenue	EV / Median LTM EBITDA		Median Revenue Growth YoY	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.Englandco.com.

Sources: Capital IQ, Pitchbook

Quarterly Overview

Healthcare services transaction activity was down 11.6% in 2Q2024 from the previous quarter; however, the market turned a corner in mid-2Q, and dealmaking is picking up.



The decrease in transactions can mainly be attributed to the PPM segment, where market sentiment has sharply declined, and add-on activity has been low for some time. However, there are recent indications that the market is starting to improve for PPMs. Hospitals, rehabilitation, and long-term care activity have remained stable as large providers continue to make strategic purchases to increase their reach.

In April, skilled nursing facility operator PACS Group had a successful IPO, raising \$450 million. The company is expected to experience double-digit revenue growth in the coming years while maintaining a roughly 10% EBITDA margin. The listing may be a positive sign for investors hoping for a public exit for large, private healthcare services platforms.

Q2 featured major announcements about retailers repositioning healthcare services assets. Walgreens announced a reversal of its less-than-four-year multi-billion-dollar commitment to Village MD. In June, the company announced it would decrease its stake in VillageMD to a minority position. CVS is seeking private equity funding to support the growth of Oak Street Health, which it acquired in 2023 for over \$10 billion. Rite Aid continued to shed assets in Q2 while moving through bankruptcy proceedings. Walmart, which announced a major move into primary care with Walmart Health centers in 2019, announced in April that it would close all 51 of its health centers in 5 states and end its virtual care offering.

Source: PitchBook

Healthcare Services Merger & Acquisition Activity

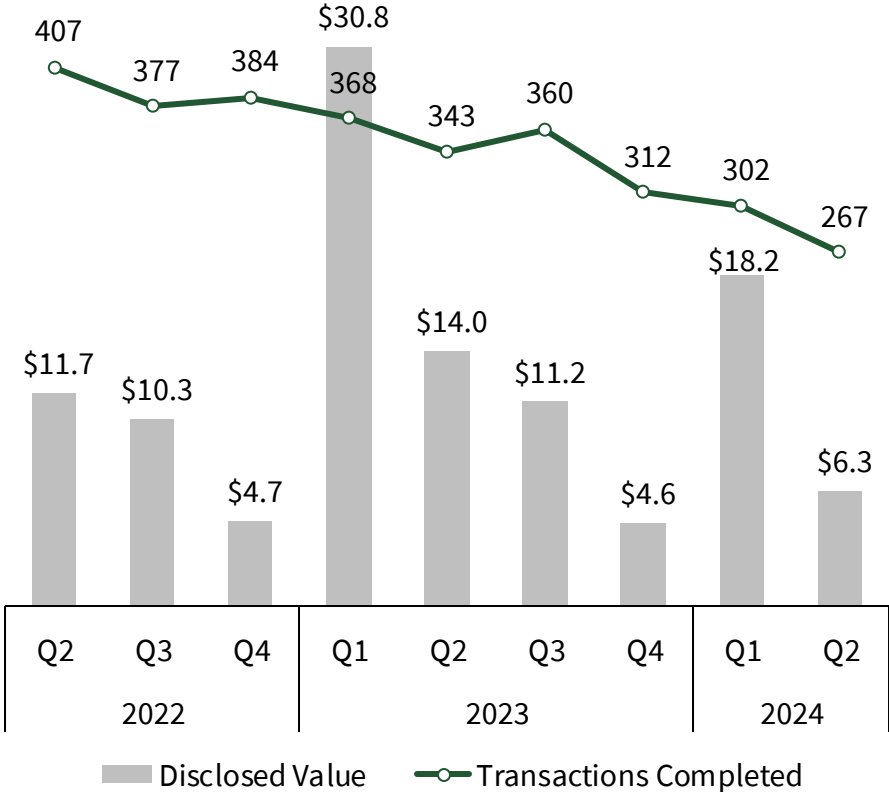
M&A activity continued a broader, year-long downward trend, with 267 transactions completed in 2Q24. This is an 11.6% decrease from the 302 transactions completed in the prior quarter and a 22.2% decrease in transaction volume from Q2 2023.

Clinics and Outpatient Services were the busiest segment, with 122 transactions closing in 2Q24. Despite this activity, the 2Q24 volume within this sector declined 22.8% from the prior quarter, with 158 transactions closed. Private equity funds continued to be active during the quarter, with three platform transactions and 76 add-on acquisitions. One notable platform transaction was Tenex’s acquisition of Behavioral Innovations in June 2024.

Elder and Disabled Care also saw 26 transactions close in 2Q24, a 30% increase from the prior quarter, when 20 transactions closed. The Ensign Group was the most active acquirer this quarter, acquiring five assets, followed by the Pennant Group, which acquired two assets. Consolidation in this segment is fueled by demand for beds and services driven by an aging population and the continued trend for large consolidators to purchase smaller assets to increase their geographic presence.

(\$ in billions)

M&A Activity



Source: Pitchbook

Healthcare Services Private Financing Activity

Private financing transaction volume continues to slow. A total of 442 transactions were completed this quarter, a 13.8% decrease compared to 1Q24. However, total value and average value per transaction increased, with total capital deployed growing 9.7% from last quarter to \$54.8 billion and average transaction size up 27.2% to about \$124 million.

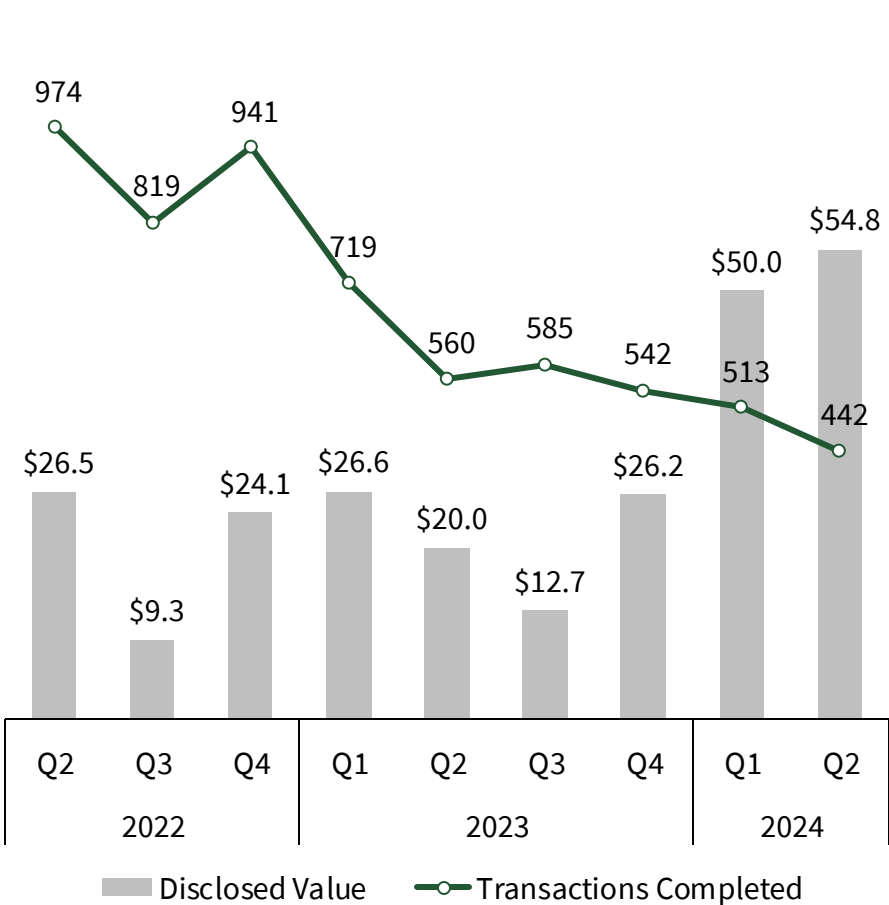
Value was concentrated in several large transactions, either debt refinancing or acquisition financing, with the top 15 transactions totaling 64.4% of disclosed value. Improving financing conditions in the first half of 2024 presented an opportunity for many companies to refinance their debt at more favorable terms.

While debt refinancing and acquisition financing were the largest contributors to total value, venture capital was the largest contributor to total transaction volume. VC firms deployed \$2.9 billion across 284 transactions in 2Q24, representing 64.3% of disclosed transactions.

KKRs acquisition of Cotiviti in April was the largest transaction this quarter, requiring \$5.6 billion of debt financing to support the \$11.2 billion transaction.













(\$ in billions)

Financing Activity



Source: Pitchbook

Q2 2024 Notable Healthcare Services M&A Transactions

Target	Acquirer	Closed Date	Transaction Value	Enterprise Value	
			(\$ in millions)	Revenue	EBITDA
 DDCN DEVELOPMENTAL DISABILITY CENTER OF NEBRASKA	 LITALICO リタリコ	June 2024	\$50.0	N/A	N/A
 behavioral INNOVATIONS	 TENEX CAPITAL MANAGEMENT	June 2024	300.0	N/A	N/A
 THE STAYTON AT MUSEUM WAY • BY BUCKNER.	 BUCKNER® WESTMINSTER PLACE Inspiring happiness.	May 2024	81.0	N/A	N/A
 medicus healthcare solutions	 Ridgemont EQUITY PARTNERS™	May 2024	N/A	N/A	N/A
 COTIVITI	 KKR	April 2024	11,200.0	N/A	N/A
 covenant care AL / FL Hospice Operations	 VITAS® Healthcare	April 2024	85.0	N/A	N/A
Median			\$85.0	N/A	N/A

Source: Pitchbook

Note: Transactions closed as of 6/30/24

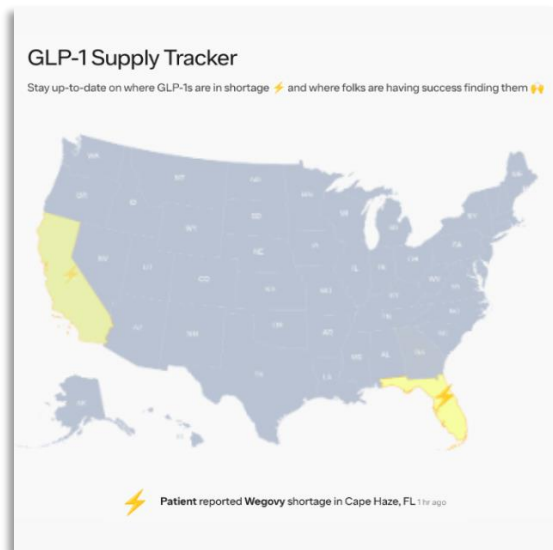
Q2 2024 Developing Trends

GLP-1s and Pharmacies

In May, Ro, a direct-to-consumer pharmacy company, announced the launch of a tool to track GLP-1 shortages across the U.S.

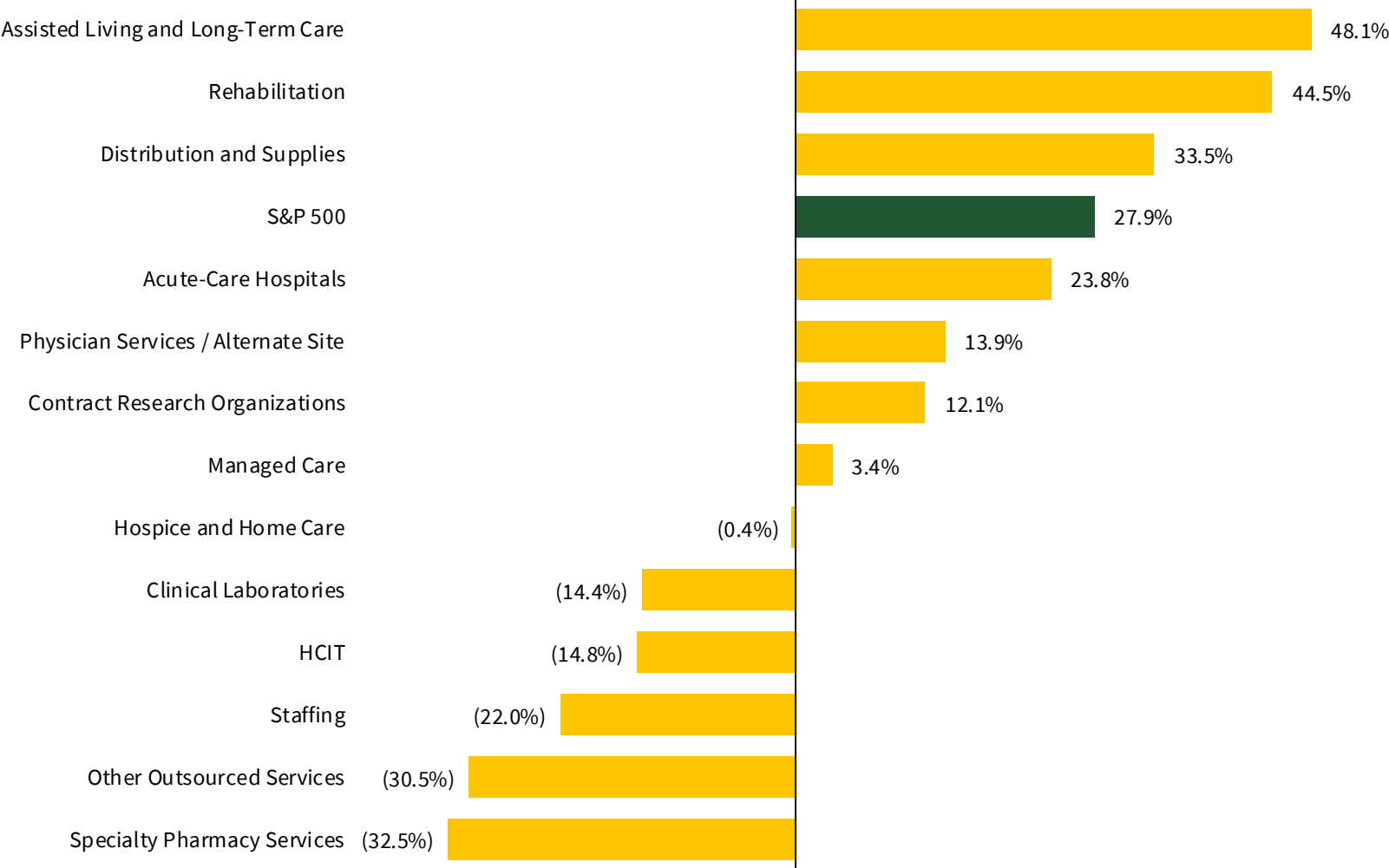
Along with the FDA tracking system, the Ro tool allows patients to report when they have difficulty finding the medication in their local markets. Tracking shortages of medications in various dosage forms is important, as the FDA allows compounding pharmacies to produce comparable formulations when medications are on the FDA shortage list. The FDA is aware of compounded semaglutide products being marketed for diabetes and weight loss and has noted that compounded medications may pose a higher risk to patients than FDA-approved medications, as compounded medications do not undergo FDA premarket review for safety, quality, or effectiveness. The current shortage and the increasing demand for diabetes and weight loss products have led to the proliferation of online telepharmacies and social media sites offering GLP-1 products directly to consumers.

These alternative sources have increased the availability of diabetes and weight loss products and offered more favorable pricing than the FDA-approved alternatives. However, Eli Lilly, producer of products under the brand names Mounjaro and Zepbound, announced in 2Q24 that all dosages of their products were available and reported that information to the FDA. The competing Novo Nordisk products, Ozempic and Wegovy, remain in shortage. Both Lilly and Novo Nordisk have announced multi-billion-dollar programs to increase production capacity. When the FDA removes these products from its shortage list, it is expected to place considerable pressure on compounding pharmacies to replace diabetes and weight loss products to maintain revenues. Lilly has mounted a PR campaign, and in a lengthy June “Open Letter,” Lilly warned consumers and marketers that it would take legal action to protect its products. Similarly, in 2Q24, Novo Nordisk announced filings of a legal proceeding against medical spas, weight-loss clinics, pharmacies, and other companies for unlawful marketing and sales of compounded diabetes and weight-loss medications.



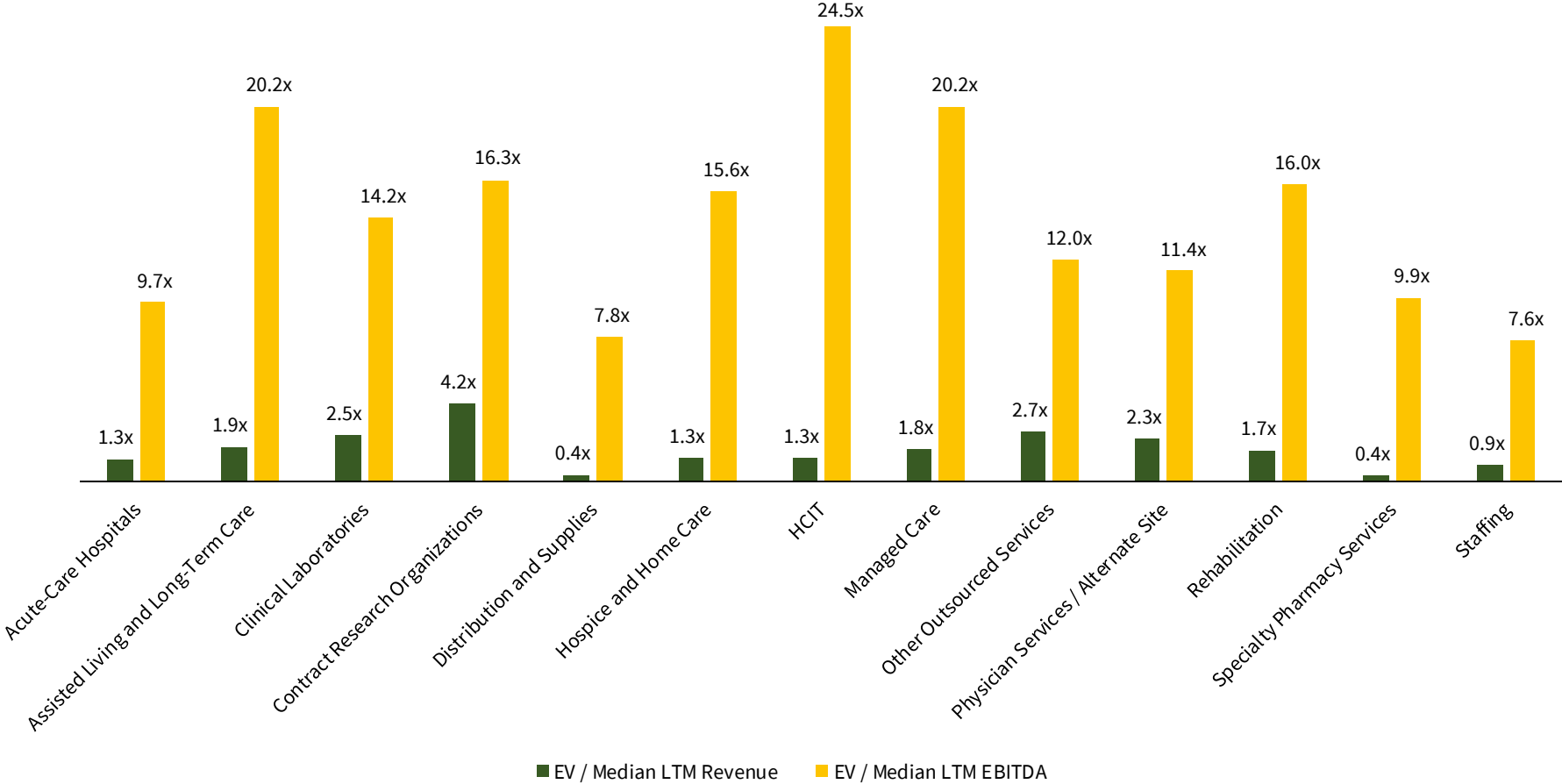
Public Market Performance

12-Month Equity Returns



Source: Capital IQ
Note: As of 6/30/24

Public Company Valuation Analysis By Sector



Source: Capital IQ
 Note: As of 6/30/24

Recent Healthcare Experience

 <p>Acacium Group</p> <p>has acquired</p>  <p>Buy-side Advisor</p>	 <p>OneroRx</p> <p>recapitalization by</p>  <p>Exclusive Financial Advisor</p>	 <p>EXTREMITY MEDICAL</p> <p>has entered into a strategic relationship with</p>  <p>Financial Advisor</p>	 <p>EXTREMITY MEDICAL</p> <p>\$18,000,000 Convertible Notes</p> <p>Exclusive Placement Agent</p>	 <p>OSSIO</p> <p>\$38,400,000 Series C Preferred Stock</p> <p>Exclusive Placement Agent</p>
 <p>SEAL</p> <p>has been acquired by</p>  <p>Sell-side Advisor</p>	 <p>COLLAGEN SOLUTIONS</p> <p>has been acquired by</p>  <p>Sell-side Advisor</p>	 <p>CrossRoads</p> <p>has been acquired by</p>  <p>Sell-side Advisor</p>	 <p>wenzel spine</p> <p>Preferred Stock</p> <p>Financial Advisor</p>	 <p>mindchild</p> <p>has entered into a strategic partnership with</p>  <p>Financial Advisor</p>
 <p>CareFirst BlueCross BlueShield</p> <p>has made a strategic investment in</p>  <p>Financial Advisor</p>	 <p>CareFirst BlueCross BlueShield</p> <p>has made a strategic investment in</p>  <p>Financial Advisor</p>	 <p>CareFirst BlueCross BlueShield</p> <p>has entered into a strategic partnership with</p>  <p>Financial Advisor</p>	 <p>PYNG MEDICAL</p> <p>has been acquired by</p>  <p>Sell-side Advisor</p>	 <p>MMS Medication Management Systems</p> <p>has been acquired by</p>  <p>Sell-side Advisor</p>

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

Paul D. Teitelbaum

Managing Director

New York, NY

(212) 235-0857

pteitelbaum@englandco.com

Kiat Tan

Managing Director

Singapore

+65 6990-3422

ktan@englandco.com

Scott R. Cousino

Senior Advisor

Washington, DC

(202) 386-6504

scousino@englandco.com

Jaclyn L. Doak

Vice President

New York, NY

(212) 235-0854

jldoak@englandco.com

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