



Healthcare Check-Up

Q3 2024

Featuring:

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

Q3 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



250
Transactions

- 30.6%
Change YoY



\$3.9 billion
Disclosed
Transaction Value

- 65.7%
Change YoY

Private Financings



402
Transactions

- 31.3%
Change YoY



\$40.3 billion
Disclosed
Transaction Value

+218.2%
Change YoY

Public Companies

1.5x
EV / Median
LTM Revenue

14.8x
EV / Median
LTM EBITDA



+ 6.3%
Median Revenue
Growth YoY

26.7%
Median LTM
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.

Sources: Capital IQ, Pitchbook

Quarterly Overview



Healthcare services financing and M&A transaction activity were down overall in 3Q24 compared to the previous quarter; however, market and regulatory conditions point towards an uptrend in the coming quarters.

Overall, healthcare services equities continue to lag behind major indexes, except for facility-based hospitals and the rehabilitation and long-term care sector, which public markets favor due to its countercyclical characteristics, strong profit margins, and consistent growth, largely driven by the scale and operational expertise of publicly traded companies. Notably, this is the segment least appealing to private equity investment at the moment, as financial sponsors typically shy away from the regulatory restrictions, staffing issues, and capital demands associated with these assets.

In late September, reports indicated that CVS faced pressure from investor Glenview Capital, hinting at a potential activist campaign. While CVS, which includes Aetna, Caremark, and others, is considering restructuring, Glenview clarified it is not advocating for a breakup. The appeal of vertical integration is waning among large, diversified retailers. CVS is, however, contemplating spinning off Oak Street Health, its recently acquired value-based care clinic, following similar moves in primary care by Walgreens and Walmart.

The quarter featured IPOs from hospital operator Ardent Health and specialty pharmacy Guardian Pharmacy Services. Following PACS Group's IPO in 2Q24, this second public offering transaction in a historically limited sector is encouraging for PE sponsors amid restricted buyer options for large care delivery assets. Guardian, in particular, will be monitored closely as a benchmark for private assets, given the strong interest in specialty pharmacy among PE investors. Now, with a public currency in the form of listed equity, Guardian may become a more active acquirer. Of note, several specialty pharmacy companies are currently on the market in investment banker-run sale processes.

Source: Pitchbook

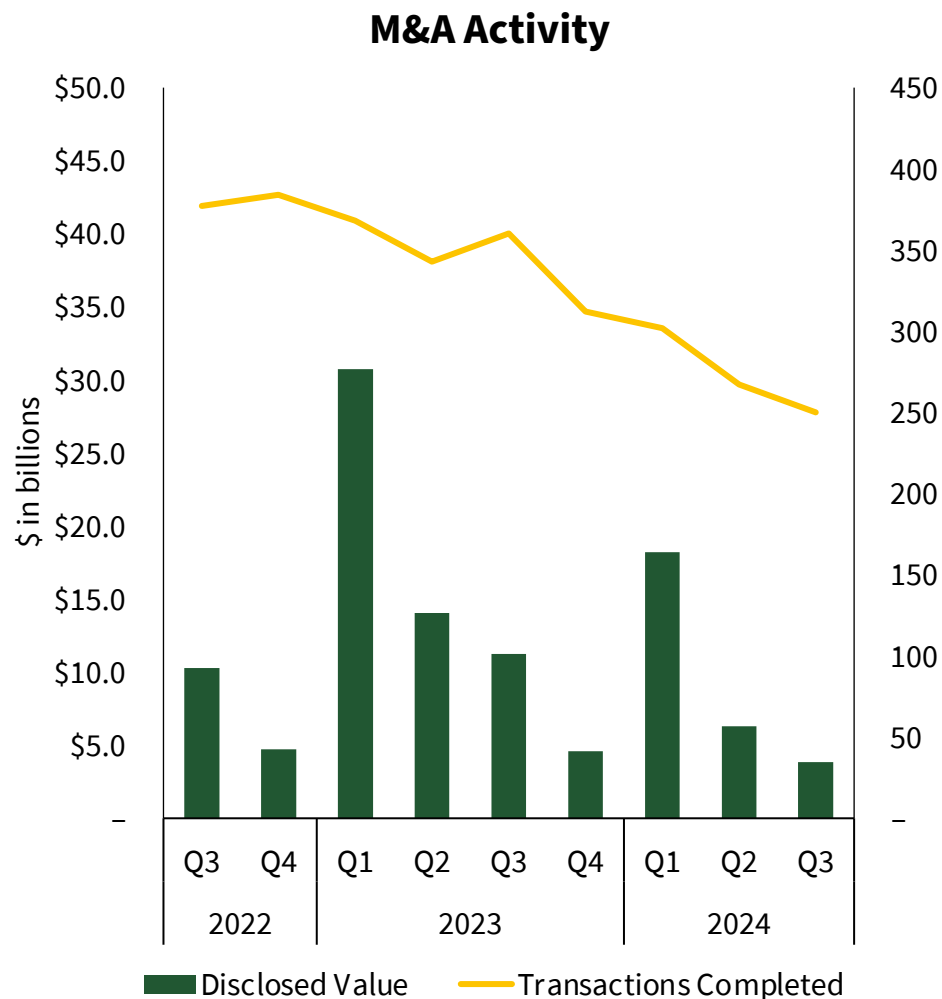
Healthcare Services Merger & Acquisition Activity

M&A activity continued a broader, year-long downward trend, with 250 transactions completed in 3Q24. This is a 6.4% decrease from the 267 transactions completed in the prior quarter and a 30.6% decrease in transaction volume from 3Q23.

Total disclosed transaction value decreased by 38.8% in 3Q24, with Vistria Group's \$2.5 billion acquisition of Soliant Health accounting for 64.1% of total disclosed value for the quarter.

Clinics and Outpatient Services continues to be the busiest segment, with 96 transactions closing in 3Q24. However, transaction volume in the segment continued to drop 21.3% from 122 transactions in 2Q24. Private equity funds continued to be active, with the number of add-on platform acquisitions increasing from 76 to 99. One such add-on was CorroHealth's acquisition of Xtend Healthcare in September 2024 for \$365 million.

The number of Elder and Disabled Care transactions continued its upward trend from the previous quarter, increasing to 31. Vantage Senior Care notably acquired six assets in September 2024, and The Ensign Group continued its elevated activity of the prior quarter, acquiring five new assets.



Source: Pitchbook

Healthcare Services Private Financing Activity

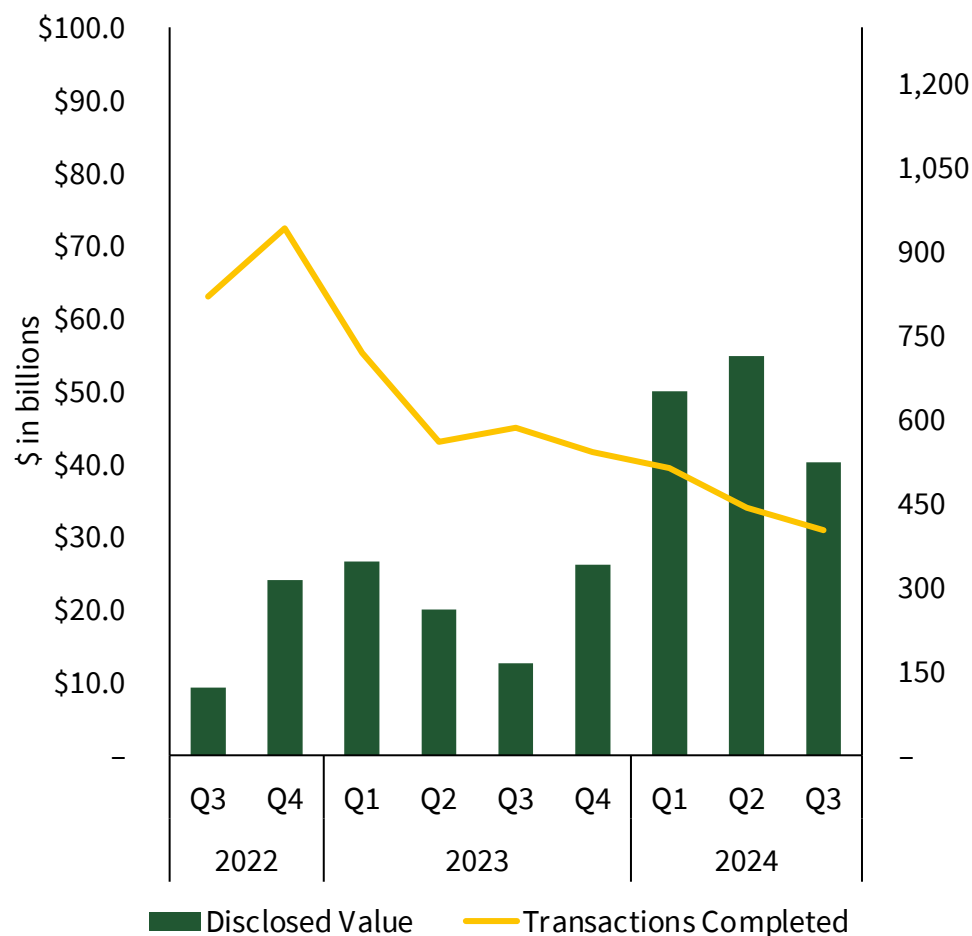
Private financing transaction volume continues to slow. A total of 402 transactions were completed this quarter, a 9.0% decrease from 2Q24. Total value and average value per transaction decreased, with total capital deployed falling 26.5% from last quarter to a total value of \$40.3 billion and average transaction size down 19.2% to about \$100 million.

Disclosed capital deployed was heavily concentrated among large debt refinancings, with the five largest transactions representing over half of total capital raised. Issuers took advantage of the 2Q downturn in interest rates to reduce their interest costs.

While debt refinancing was the largest contributor to total value, venture capital was the largest contributor to total transaction volume. In 3Q24, VC firms deployed \$2.7 billion across 188 transactions, representing 46.8% of all disclosed transactions.













UnitedHealth's \$12 billion, eight-part bond offering was the largest transaction completed in 3Q24.

Financing Activity



Source: Pitchbook

3Q24 Notable Healthcare Services M&A Transactions

Target	Acquirer	Closed Date	Transaction Value (\$ in millions)	Enterprise Value	
				Revenue	EBITDA
 Xtend Healthcare	 CorroHealth	September 2024	\$365.0	N/A	N/A
 HAVEN	 BRIGHTSPRING HEALTH SERVICES	September 2024	\$60.0	N/A	N/A
 Tennova [®] Healthcare	 Hamilton Health Care System	August 2024	\$160.0	N/A	N/A
 INVITAE	 labcorp	August 2024	\$239.0	N/A	N/A
 Soliant	 VISTRIA	July 2024	\$2,500.0	N/A	N/A
 SHOPKO [®]	 Fielmann	July 2024	\$290.0	N/A	N/A
Median			\$264.5	N/A	N/A

Source: Pitchbook

Note: Transactions closed as of 9/30/24

3Q24 Developing Trends

Prescription Drug Middlemen



In September, the FTC filed a lawsuit against the three largest pharmacy benefit managers (PBMs), Caremark, Express Scripts, and OptumRx, accusing them of manipulating insulin prices through exclusive rebate arrangements with drug manufacturers. Effectively, PBMs have limited affordable insulin alternatives by securing higher rebates from drug manufacturers to prioritize certain drugs. The lawsuit targets the rebate structures, which have historically incentivized manufacturers to raise list prices, marking a critical shift in regulatory focus. It underscores an attempt to loosen the PBMs' control over the nearly \$500 billion U.S. prescription drug market.

The FTC lawsuit may have long-lasting implications on the broader healthcare services market. With PBMs controlling nearly 80% of the prescription drug market, a ruling against the companies could lead to significant revenue disruptions and more stringent regulation. Coupled with the Pharmacy Benefit Manager Transparency Act, introduced in 2023, which pushes for increased disclosure and aims to combat anti-competitive PBM practices, the lawsuit may introduce major headwinds into the market. Conversely, it may lead to more transparent drug pricing models and create opportunities for alternative drug channels to disrupt the prescription drug industry. Members of Congress and independent pharmacies, which have launched their own attacks on large PBMs, will watch this case with great interest.

Healthcare Staffing

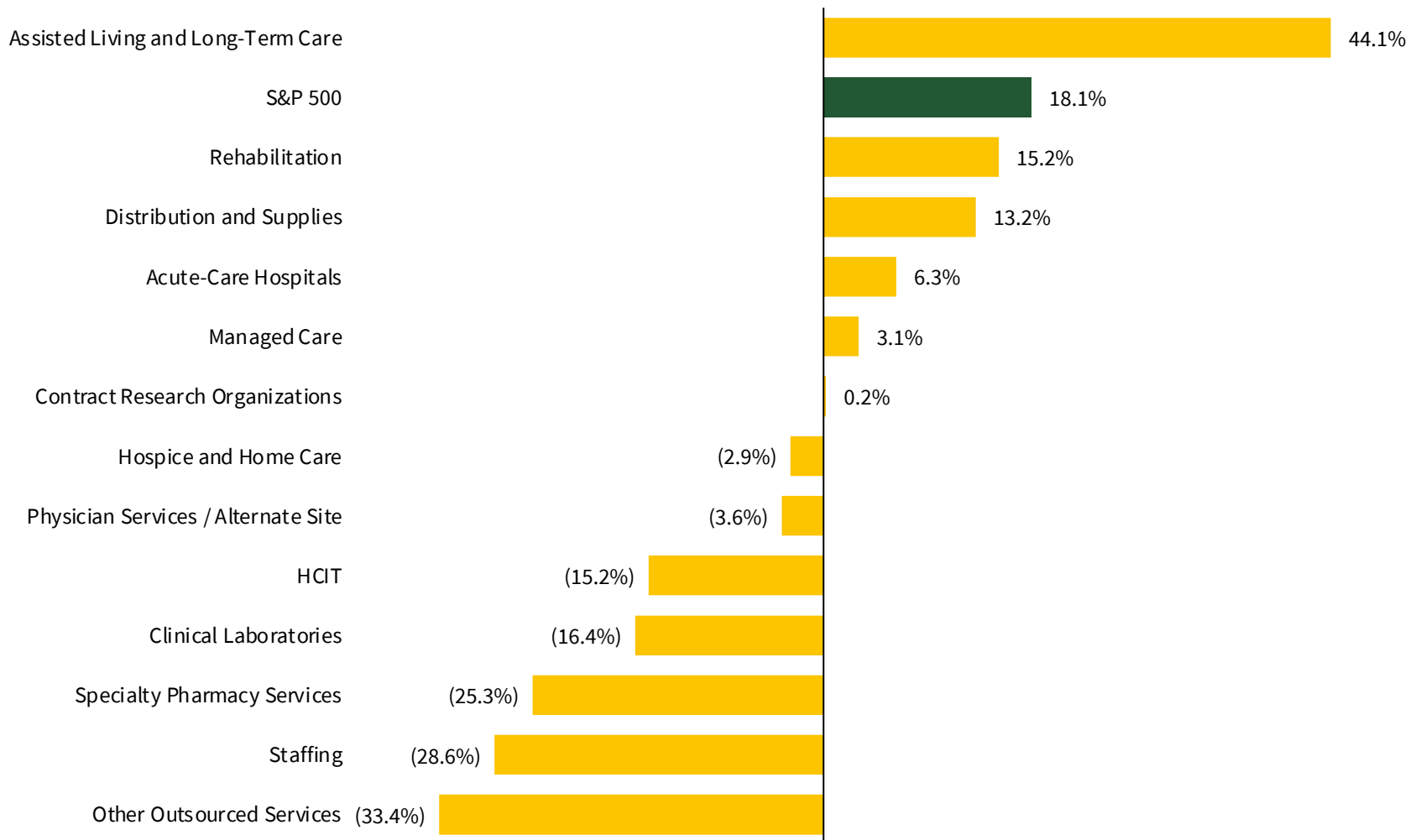


The Vistria Group's acquisition in July of healthcare staffing company Soliant was notable not only because it was the largest healthcare staffing transaction since the beginning of the Covid-19 Pandemic, but also because Vistria already owns Supplemental Healthcare, another large healthcare staffing company. Soliant's business mix differs from that of many other large nurse staffing companies (including Supplemental), which has insulated its results from the post-pandemic downturn in travel nursing. Public companies AMN and Cross Country Healthcare continue to caution investors about earnings results, both of which provide rationale towards declining EBITDA in 3Q vs. 2Q tied to nurse staffing despite positive signs in several areas of their businesses. Both companies stock prices hit 12-month lows in September.

The third quarter also focused on balance sheets, as declining EBITDA at companies that had previously added leverage for acquisitions or recapitalizations prompted discussion among creditors and advisers about leverage ratios and covenants for at least three large sector participants. Leverage may be one of the factors that prompts increasing M&A activity as we move into 2025. In addition to declining interest rates providing a general boost to overall M&A activity, we expect to see an adjustment in valuation expectations in the healthcare staffing sector. At least nine healthcare staffing companies have been owned by their PE backers for more than five years, suggesting an identifiable M&A pipeline. Combined with the view that size does matter and that larger companies in the nurse staffing sector will be the long-term survivors, we could see a number of companies merging or being acquired in the coming months.

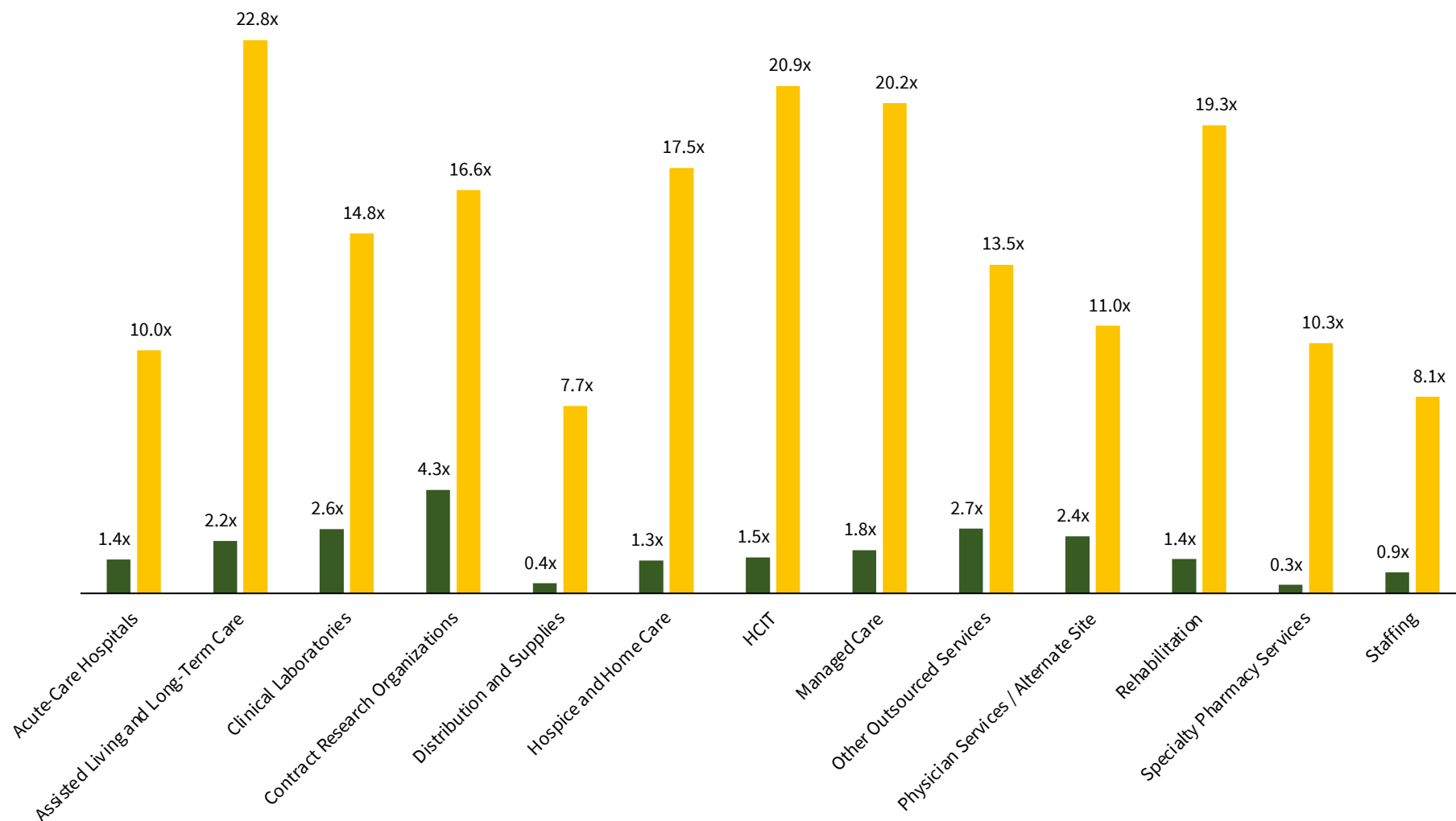
Public Market Performance

12-Month Equity Returns



Source: Capital IQ
Note: As of 9/30/24

Public Company Valuation Analysis By Sector



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

■ EV / Median LTM Revenue ■ EV / Median LTM EBITDA

Recent Healthcare Experience



recapitalization by



Exclusive Financial Advisor



has entered into a strategic relationship with



Exclusive Financial Advisor



\$18,000,000
Convertible Note

Exclusive Placement Agent



has acquired



Buy-Side Advisor



\$38,500,000
Series C Preferred Stock



Exclusive Placement Agent



has been acquired by



A subsidiary of Colfax

Sell-Side Advisor



has been acquired by



Sell-Side Advisor



has been acquired by



Sell-Side Advisor



has been acquired by



Sell-Side Advisor



has entered into a strategic partnership with



Financial Advisor



has made a strategic investment in



Financial Advisor



has made a strategic investment in



Financial Advisor



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Financial Advisor



has been acquired by



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Sell-Side Advisor

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Healthcare Investment Banking Team

Craig W. England

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

J. Andrew Cowherd

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

Paul D. Teitelbaum

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

Patrick J. O'Shea

Managing Director
Singapore
+65 6990-3421
pjoshea@englishco.com

Scott R. Cousino

Senior Advisor
Washington, DC
(202) 386-6504
scousino@englishco.com

Jaclyn L. Doak

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

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