



# Specialty Healthcare Services M&A Update – Q4 2023



# Specialty Healthcare Services M&A Update

## Q4 2023

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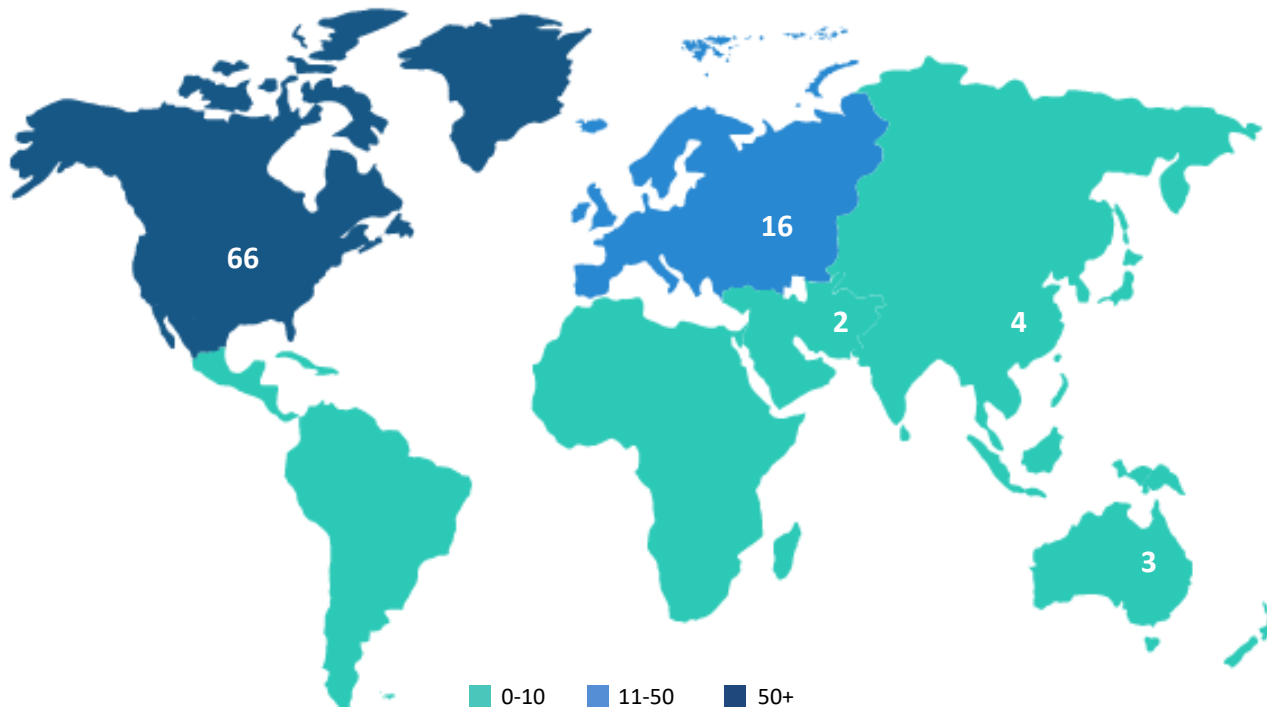
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### REPORT HIGHLIGHTS

- In Q4, the S&P Health Care Services Select Industry Index increased 6.8% and was outperformed by the S&P 500, which increased 11.2% over the same period.
- The median EV/EBITDA multiple for reported private equity deals increased to 22.4x in 2023 from 16.7x in 2022, and increased for strategic deals to 18.2x from 12.7x in 2020 (the last year with reported multiples).
- M&A deal volume in the sector increased 18.2% to 91 completed transactions in Q4 compared to 77 deals in Q3, but decreased 41.3% from 155 deals in Q4 of the prior year.
- As a % of total capital invested in M&A transactions in 2023, PE participation decreased to 17.1%, down significantly from 32.2% in the prior year.
- North America was the most active region in Q4 with 66 deals. Most notably in the North American market was Thoma Bravo's acquisition of NextGen Healthcare through a \$1.8 billion public-to-private LBO in November 2023.

## Global Deal Analytics

Of the 91 deals in Q4 in the Specialty Healthcare Services industry, which we define as Dentistry, Otolaryngology, Ophthalmology, Dermatology, and Behavioral Health, North America was the most active market with 66 deals closed. Europe was the second most active region with 16. One of the more notable deals in Europe during Q4 was Spire Healthcare Group's \$90.4 million acquisition of Vita Health Group, a UK-based provider of physical and mental health services, in October 2023. All other regions combined for a total of 9 completed transactions.



### United States Regions: 57

<b>Mid Atlantic:</b>	<b>17</b>
<b>Southeast:</b>	<b>12</b>
<b>Mountain:</b>	<b>10</b>
<b>West Coast:</b>	<b>10</b>
<b>Great Lakes:</b>	<b>8</b>
<b>Other:</b>	<b>9</b>

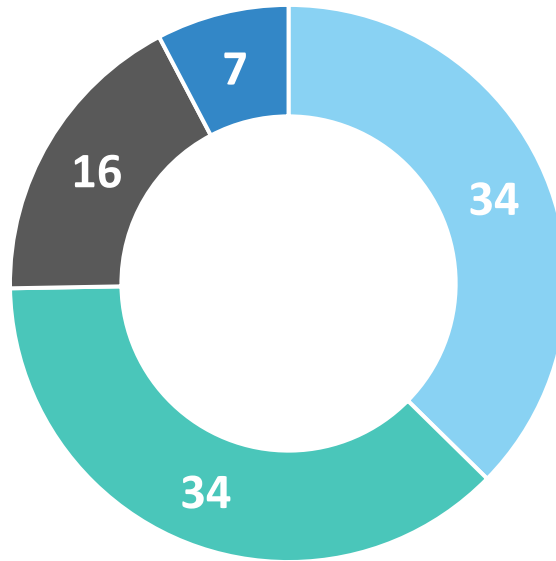
In the U.S. market, the Mid Atlantic and Southeast regions were the most active in Q4 with 17 and 12 closed deals, respectively. A notable Mid Atlantic deal was the LBO of ALFA Dentistry, a Pennsylvania-based provider of dental care services, by Align Technology, Heartland Dental, Kohlberg Kravis Roberts, Ontario Teachers' Pension Plan, and Peloton Capital Management for an undisclosed amount in October 2023. The Mountain and West Coast each saw 10 completed transactions and were followed by the Great Lakes region, which saw 8 completed deals. All other regions combined for a total of 9 completed transactions.

There were no reported transactions in Canada in Q4.

# Global Deal Analytics

Of the 91 Specialty Healthcare deals in Q4, 34 deals transacted in each of the Dentistry & Orthodontics and Dermatology and Other subsectors, making them the most active from an M&A volume standpoint. Behavioral Health had 16 deals and was followed by Otolaryngology & Ophthalmology with 7 closed transactions.

**Deals by Subsector**



■ Dentistry & Orthodontics

■ Otolaryngology & Ophthalmology

■ Behavioral Health

■ Dermatology and Other



Augen Therapeutics



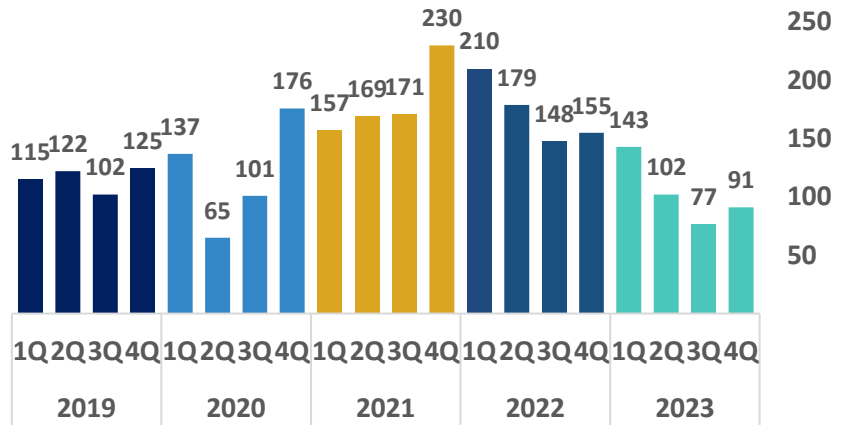
# Global Deal Analytics

M&A deal volume in the Specialty Healthcare Services sector increased 18.2% in Q4 2023 to 91 deals from 77 in Q3, but decreased 41.3% from 155 in Q4 of the prior year.

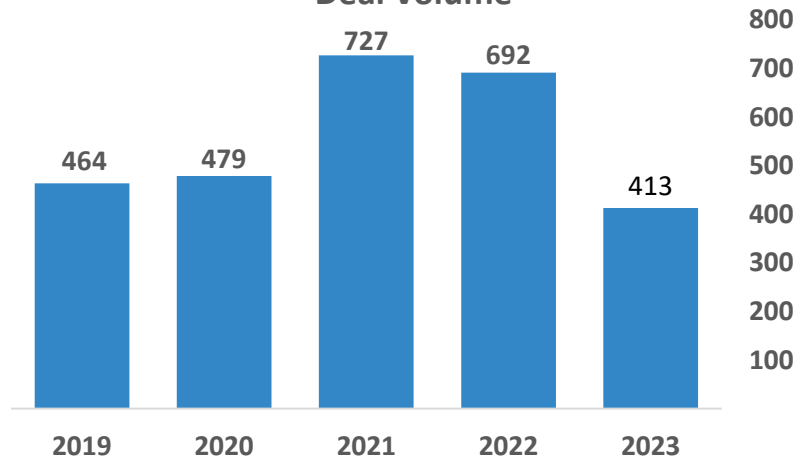
Annual deal volume saw a 40.3% decline to 413 deals in 2023, down from 692 in 2022. We attribute this decline to more challenging market conditions from a dealmaking perspective, including elevated interest rates/cost of capital. We anticipate market conditions loosening in Q1 as more of a prevailing consensus emerges around the fed easing rates in 2024 and much of the market uncertainty overhang from 2023 moves to the rear view mirror.

Total capital invested in M&A deals in the sector increased 366.7% in Q4 to \$2.8B from \$0.6B in Q3, and increased 64.7% from \$1.7B in the same period of the prior year. The significant increase from Q3 is primarily due to Thoma Bravo’s \$1.8 billion acquisition of NextGen Healthcare in November 2023.

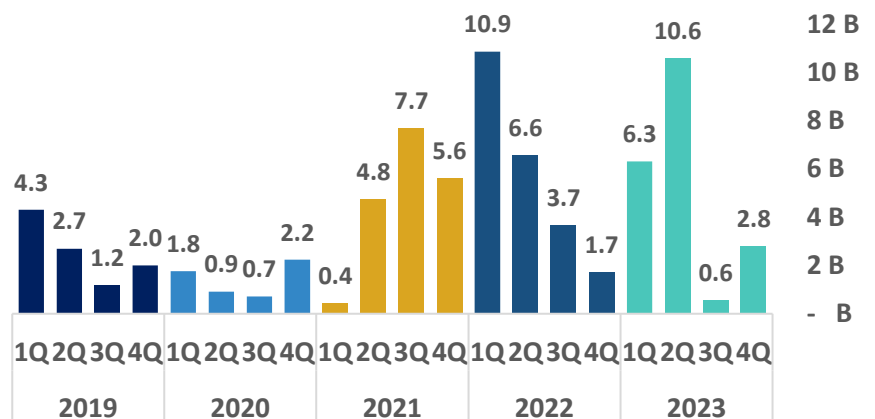
Deal Volume



Deal Volume



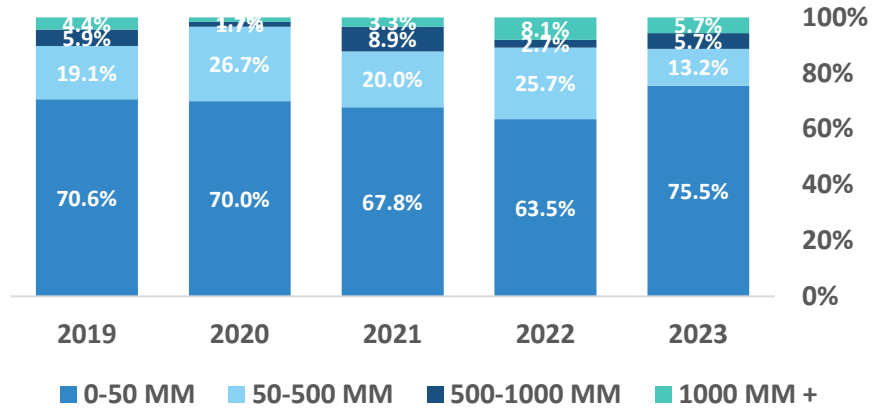
Total Capital Invested



# Global Deal Analytics

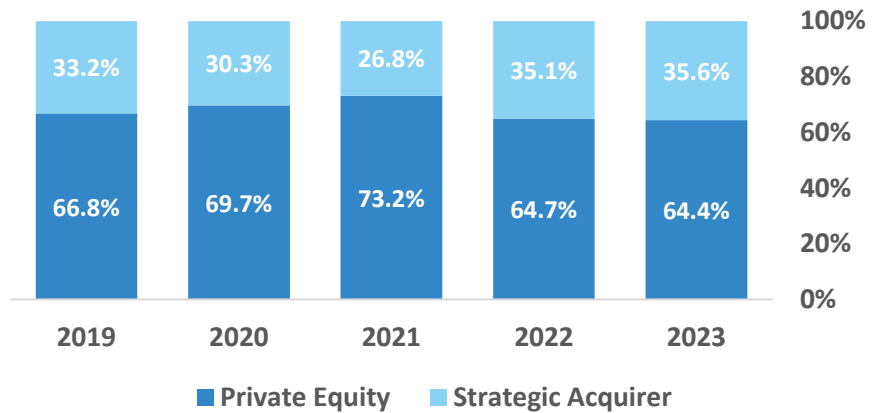
In 2023, we saw a shift towards the lower middle (\$0 - \$50 MM) and upper middle (\$500 - \$1000 MM) tranches of the market, which increased to 75.5% and 5.7% from 63.5% and 2.7%, respectively, in 2022. Deal volume in the middle (\$50 - \$500 MM) and large cap (\$1000 MM+) tranches saw decreases to 13.2% and 5.7% from 25.7% and 8.1%, respectively, in the prior year.

Deal Volume by Deal Size



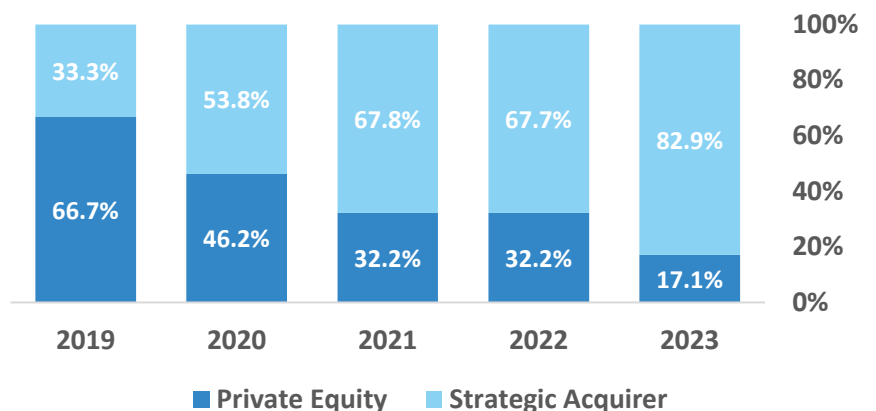
As a % of total deal volume, PE buyers trended slightly lower in 2023, representing 64.4% of deal volume in the sector, down from 64.7% in 2022. 2023 marks the lowest percentage of PE deal volume over the last 5 years. This lower level of PE activity is indicative of challenging market dynamics with elevated costs of capital and tightening liquidity from lenders.

Deal Volume by Acquirer



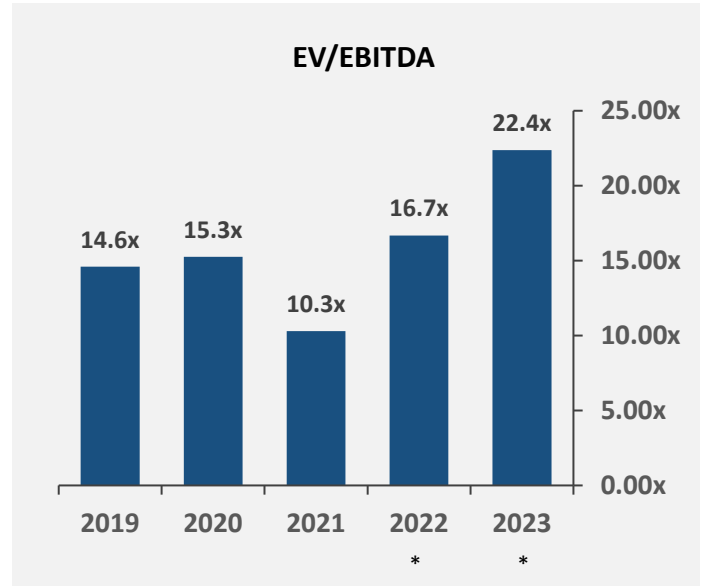
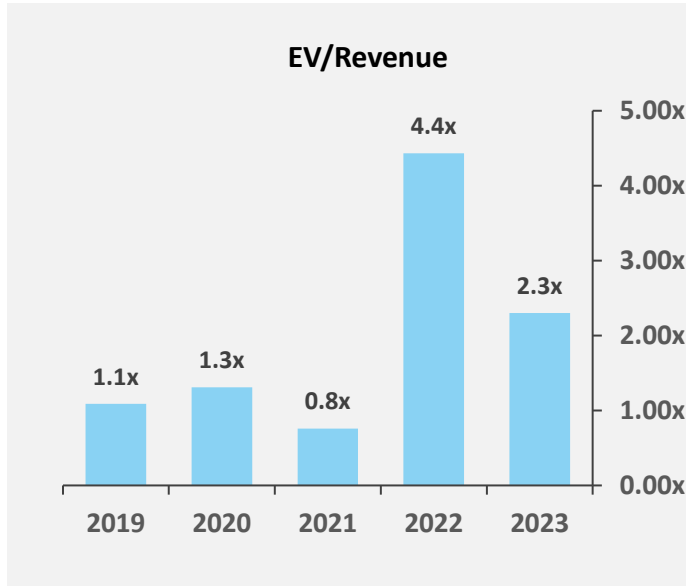
Despite PE's share of deal volume trending relatively steady from the prior year, total capital invested by PE investors (as a % of overall capital invested) decreased significantly in 2023 to 17.1% from 32.2% in 2022. This decrease is in large part due to Clayton, Dubilier & Rice's \$2.8B LBO of Gentiva Health Services in August 2022. Comparatively, the largest PE transaction in 2023 was the \$1.8B Thoma Bravo/NextGen Healthcare deal mentioned on the previous page.

Total Capital Invested by Acquirer

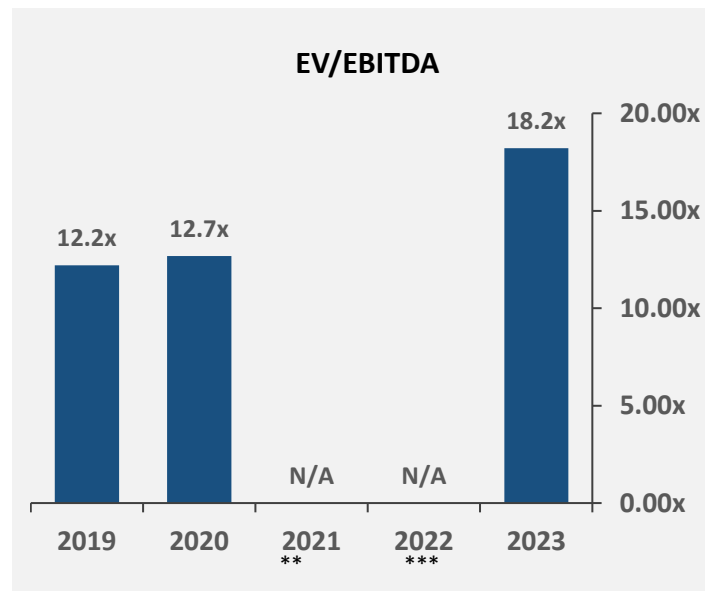
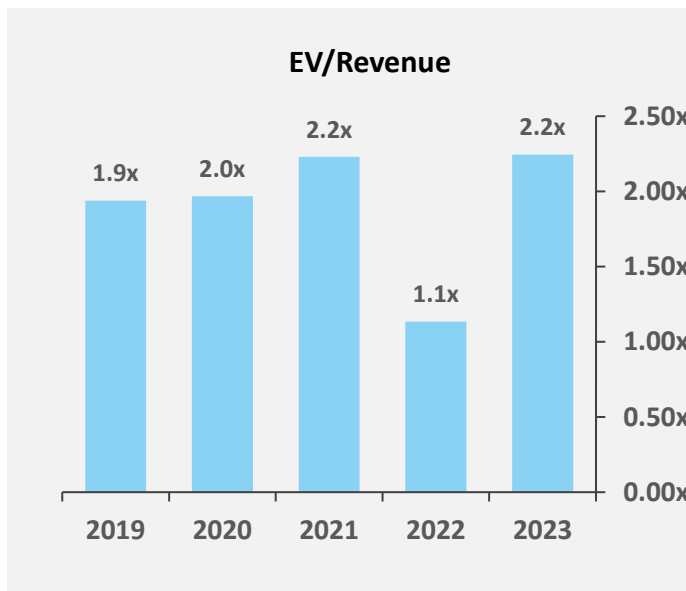


# Valuation Multiples

## Private Equity Multiples



## Strategic Multiples



\* One Private Equity EV/EBITDA multiple was removed in both 2022 and 2023 for being outliers.  
 \*\* No reported Strategic EV/EBITDA multiples were available in 2021.  
 \*\*\* After removing outliers, there were no reported EV/EBITDA multiples in 2022.

# Largest Deals (Disclosed)

Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
21-Dec-2023	Dr. Butterworth's Practice	Squire Dental	Merger/ Acquisition				Operator of a dental practice business based in Northeast Virginia, Virginia.
19-Dec-2023	Centro Odontoiatrico Laudense	Dental Feel, Yana Investment Partners	Buyout/ LBO				Operator of orthodontic clinics intended to serve across Italy.
23-Nov-2023	QV Dental	Genesis Capital, Impression Dental Group	Buyout/ LBO				Operator of a dental clinic center intended to serve patients of all age groups.
29-Nov-2023	CDS Diagnostica Strumentale	Argos Wityu, Sicura Societa Per Azioni	Buyout/ LBO				Operator of a healthcare facility focused on occupational medicine, workplace safety, and specialized medical visits.
24-Nov-2023	Clove Dental	Qatar Investment Authority	PE Growth/ Expansion	50.0			Operator of a chain of multi-specialty dental clinics intended to offer professional dental services to customers.
16-Nov-2023	PathologyWatch	Sonic Healthcare	Merger/ Acquisition	130.0			Developer of a digital pathology platform designed to detect and characterize cancers from biopsy samples.
14-Nov-2023	Michigan Ent & Allergy Specialists	Parallel ENT & Allergy Partners, Trinity Hunt Partners	Buyout/ LBO				Provider of ear, nose, throat, and allergy care services catering to clients of all age groups.
07-Nov-2023	NextGen Healthcare	Thoma Bravo	Buyout/ LBO	1,800.0	2.30x	37.85x	NextGen Healthcare Inc is a United States-based company that provides healthcare solutions.
01-Nov-2023	ProMedica Hospice	Clayton, Dubilier & Rice, Gentiva Health Services	Buyout/ LBO	710.0			Operator of hospice and home health center intended to provide specialized care that focuses on advanced illness.
31-Oct-2023	Woburn Dentistry	Beacon Dental Partners	Corporate	5.0			Operator of a healthcare practice intended to focus on dental care practice in Woburn, Massachusetts.
31-Oct-2023	Relax Dental	Riccobene Associates Family Dentistry, The Beekman Group	Buyout/ LBO				Provider of dental care services intended to serve the entire family.
30-Oct-2023	Recovery for Life	Athena Family Holdings	PE Growth/ Expansion				Provider of rehabilitation services intended to be the reference structure in psychological and relational rehabilitation paths for young people.
13-Dec-2023	Lone Peak Dental Group	BlackRock	Buyout/ LBO				Operator of a dental service organization intended for the pediatric, orthodontics and oral surgery industry.
18-Oct-2023	Vita Health Group	Spire Healthcare Group	Merger/ Acquisition	90.4			Provider of preventative and treatment programs intended for treating physical and mental health conditions in the workplace.
05-Oct-2023	Connections Health Solutions	Heritage Group, Town Hall Ventures	PE Growth/ Expansion	28.0			Provider of comprehensive behavioral healthcare services.
04-Oct-2023	ALFA Dentistry	Align Technology, Heartland Dental, Kohlberg Kravis Roberts, Ontario Teachers' Pension Plan,	Buyout/ LBO				Provider of dental care services intended for the entire family.
04-Oct-2023	Policlinica Llevant	Hospitales Parque	Merger/ Acquisition				Provider of aesthetic medicine, aesthetic surgery, ophthalmology, otorhinolaryngology, and other specialty healthcare services.
01-Oct-2023	Augen Therapeutics	Lankenau Institute for Medical Research	Corporate	4.8			Provider of new therapeutics to address unmet medical needs in the ophthalmology sector.
Mean				352.3	2.30x	37.85x	
Median				70.2	2.30x	37.85x	
High				1,800.0	2.30x	37.85x	
Low				4.8	2.30x	37.85x	

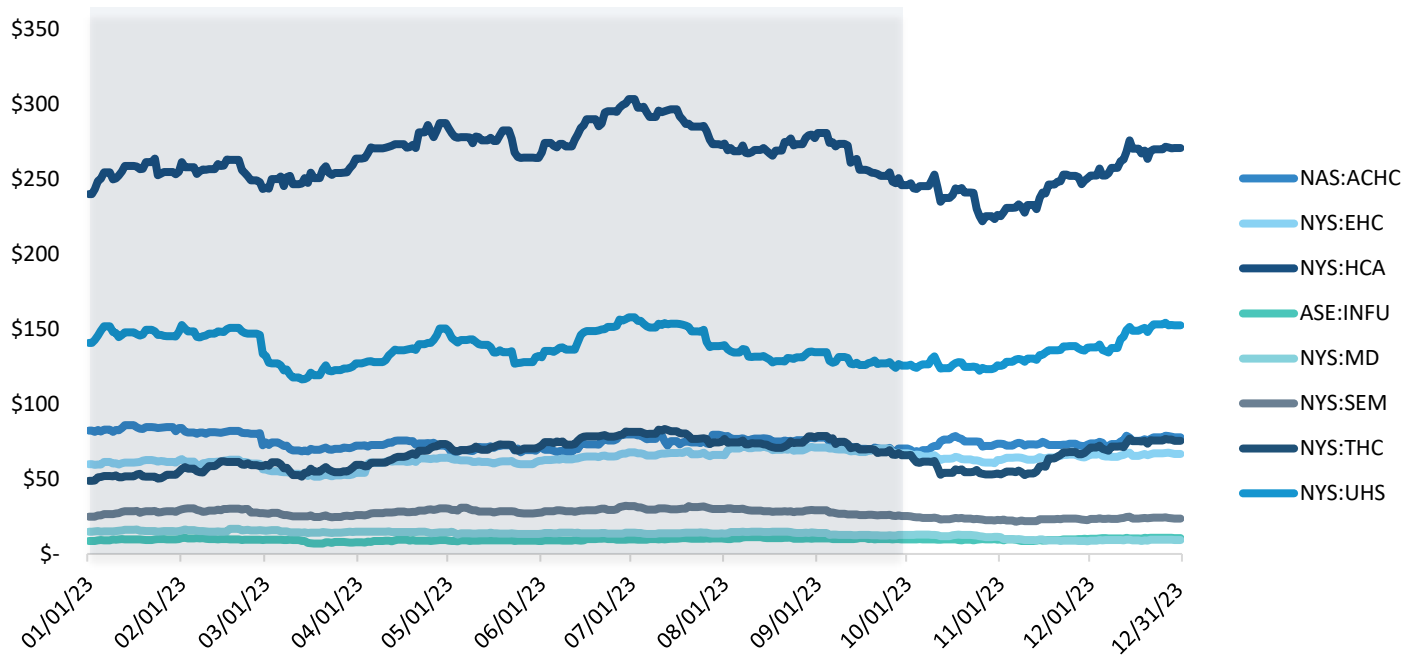


## Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
 	<p>NextGen Healthcare (“NGH”), a California-based provider of healthcare solutions for ambulatory and specialty practices, was acquired by Thoma Bravo (“TB”), through a \$1.8 billion public-to-private LBO in November 2023. Through the acquisition, TB will add over 100K ambulatory healthcare providers who care for more than 65 million patients in the US to its portfolio.</p>	<p><b>LBO</b></p>
  	<p>ProMedica Hospice, an Ohio-based provider of hospice services and a subsidiary of ProMedica Health Systems, was acquired by Gentiva Health Services (“GHS”) via its financial sponsor, Clayton, Dubilier &amp; Rice, through a \$710.0 million LBO in November 2023. The acquisition expands GHS' footprint into new markets and adds significantly to its clinical care team.</p>	<p><b>LBO</b></p>
 	<p>PathologyWatch, a Utah-based developer of a digital pathology platform, was acquired by Sonic Healthcare (“SH”) for \$130.0 million in November 2023. SH views the acquisition as an important step in their transition to pathology AI and believes it offers multiple avenues for value creation.</p>	<p><b>Merger/ Acquisition</b></p>
 	<p>Vita Health Group, a UK-based provider of physical and mental health services, was acquired by Spire Healthcare Group for \$78.3 million in October 2023. The acquisition enables Spire Healthcare Group to expand its capabilities into low-acuity mental health while providing synergies in working with corporate, PMI and occupational health customers.</p>	<p><b>Merger/ Acquisition</b></p>

# Public Comps

## Stock Price

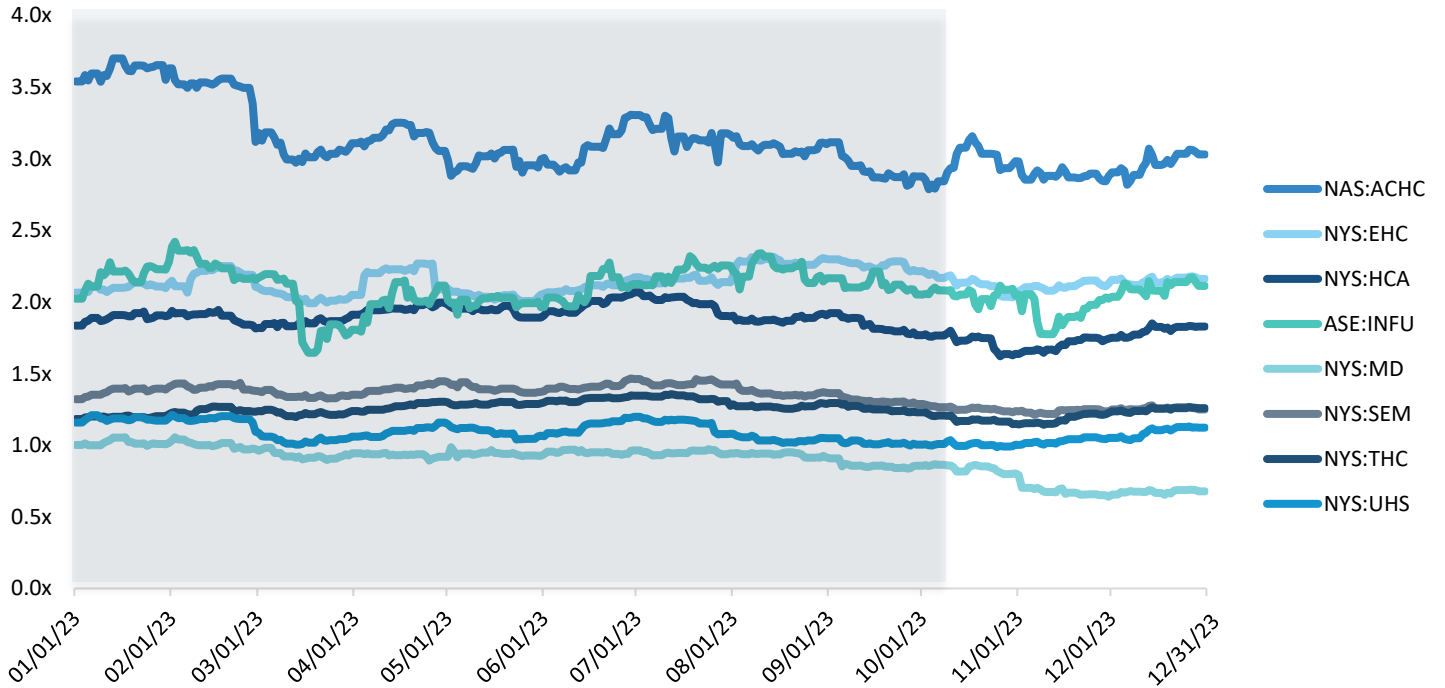


## Financial & Valuation

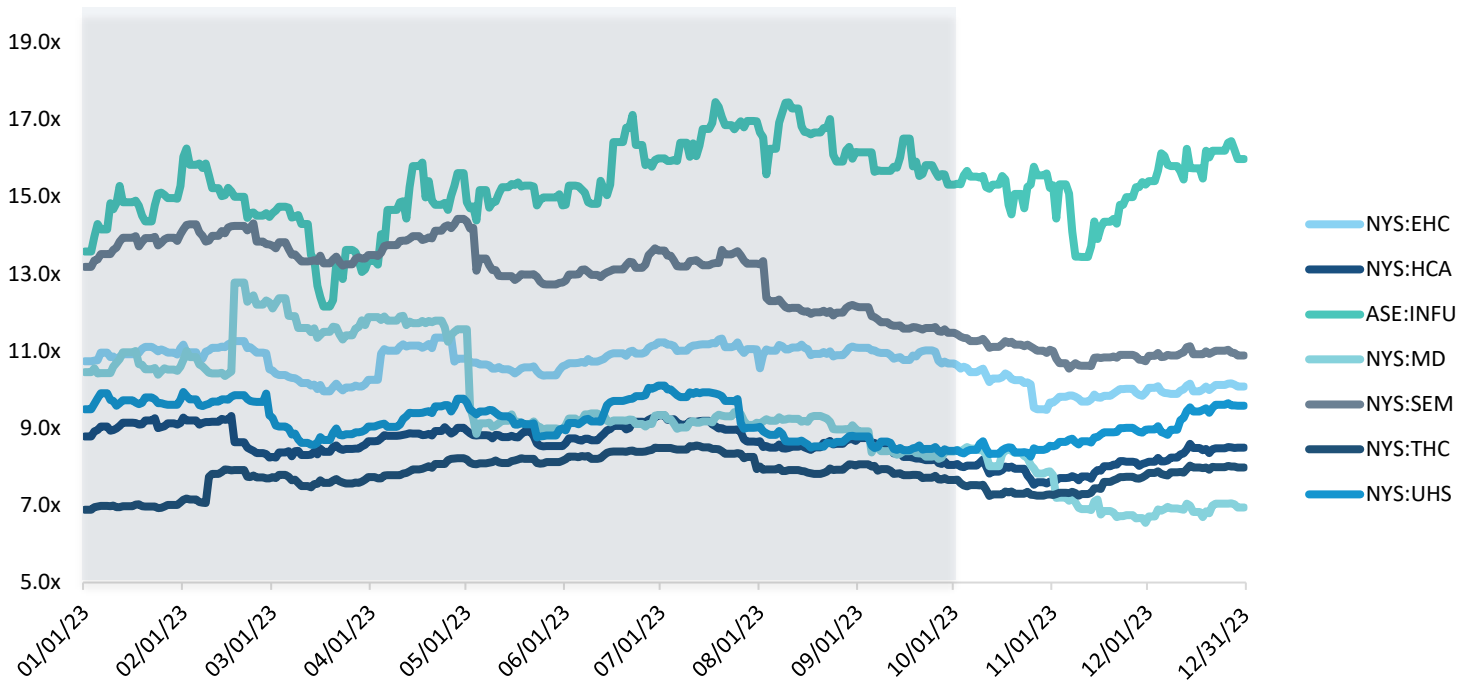
\$MM	Company	Ticker	Stock Price	Market Cap	EV/Revenue			EV/EBITDA		
					21A	22A	23A	21A	22A	23A
	Acadia Healthcare	NAS:ACHC	70	6,481	4.0x	3.6x	3.0x	18.2x	16.2x	45.5x
	Encompass Health	NYS:EHC	67	6,731	2.1x	2.0x	2.2x	9.5x	10.5x	10.1x
	HCA Management Services	NYS:HCA	246	66,904	2.0x	1.8x	1.8x	8.5x	8.7x	8.5x
	Infusystem Holdings	ASE:INFU	10	203	3.8x	1.9x	2.1x	23.2x	12.8x	16.0x
	Pediatrix Medical Group	NYS:MD	13	1,067	1.6x	1.0x	0.7x	14.6x	10.3x	6.9x
	Select Medical Holdings	NYS:SEM	25	3,213	1.4x	1.3x	1.3x	8.2x	13.1x	10.9x
	Tenet Healthcare	NYS:THC	66	6,690	1.2x	1.2x	1.3x	6.1x	6.7x	8.0x
	Universal Health Services	NYS:UHS	126	8,723	1.2x	1.1x	1.1x	7.2x	9.2x	9.6x
<b>Mean</b>					<b>2.2x</b>	<b>1.7x</b>	<b>1.7x</b>	<b>11.9x</b>	<b>10.9x</b>	<b>14.4x</b>
<b>Median</b>					<b>1.8x</b>	<b>1.6x</b>	<b>1.5x</b>	<b>9.0x</b>	<b>10.4x</b>	<b>9.8x</b>

# Public Comps

## EV/Revenue



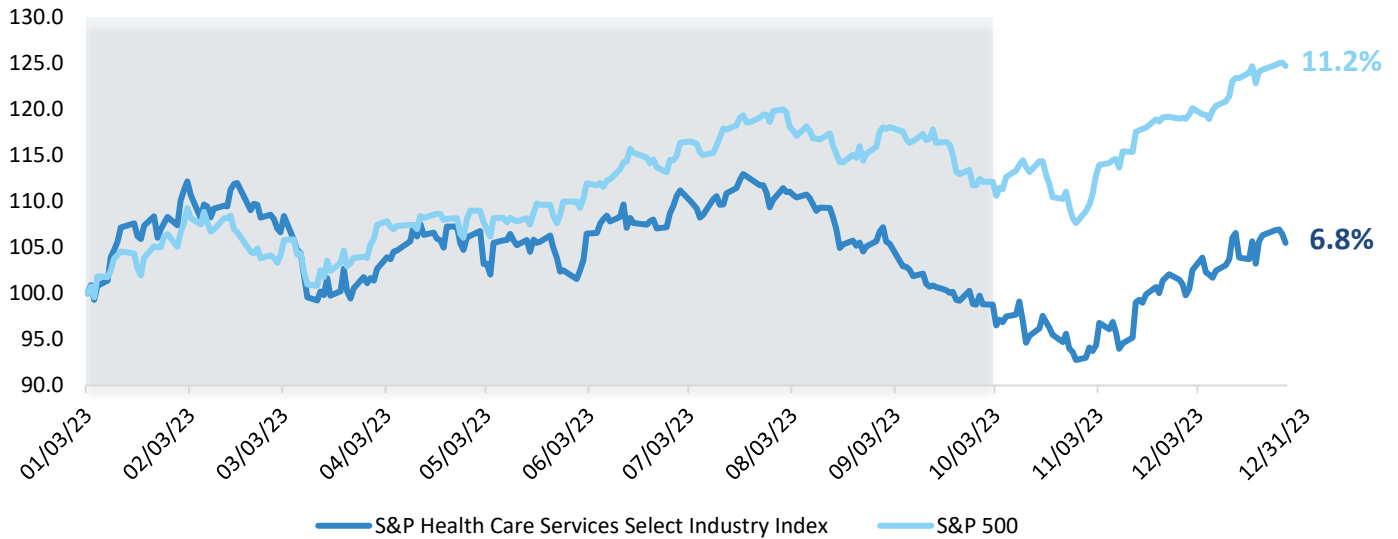
## EV/EBITDA



# Public Markets

## Index Performance

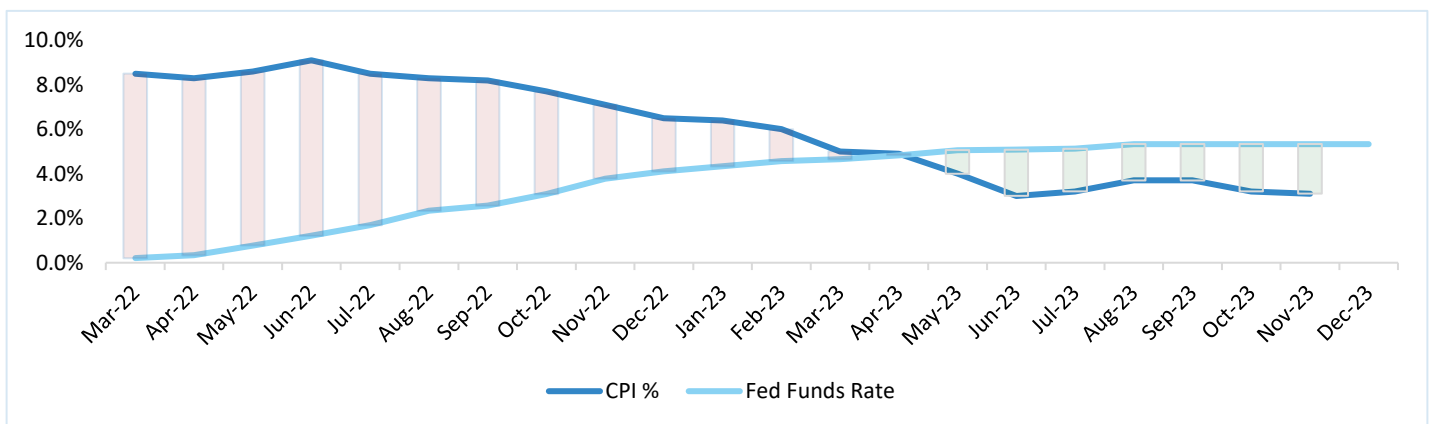
In Q4, the S&P Health Care Services Select Industry Index increased 6.8% and was outperformed by the S&P 500, which increased 11.2% over the same period.



## Key External Drivers

The Specialty Healthcare Service industry’s main services include Dentistry, Otolaryngology, Ophthalmology, and Dermatology, and are considered to be essential for the health and wellness of patients. This allows operators in the industry to fair well relative to the overall market, despite a decrease in consumer spending.

The Federal Reserve is anticipated to implement a series of rate cuts in 2024, with policymakers considering three cuts, reducing the fed funds rate from 5.25%-5.5% to 4.5%-4.75%. However, market expectations suggest the possibility of six quarter-point cuts, bringing the rate to 3.75%-4%. This projection has fueled a late 2023 stock market rally. Despite these anticipated cuts, the federal funds rate could still be restrictive in 2024. Additionally, the Federal Reserve plans to continue quantitative tightening by gradually reducing its holdings of Treasuries and mortgage-backed assets. Rate cuts are anticipated to increase M&A activity in the sector by lowering the cost of capital required to finance acquisitions.



Source: IBISWorld, S&P Global

# Industry Trends

## Dentistry

### *Shifting Valuation methodology for Dental Practices*

Recently, larger dental practices valued at over \$1.5 million have shifted to EBITDA multiples (4.0x-7.0x) instead of a percentage of annual revenue. This change, along with increased demand from Dental Service Organizations DSOs, has widened the gap between large, well-equipped practices and smaller, less profitable ones.



## Otolaryngology

### *ENT Practices Attract Private Equity*

Private equity firms, armed with \$2.0-\$4.0 trillion, are targeting the ear, nose, and throat (“ENT”) field in healthcare. This consolidation allows ENT practices to reduce costs by sharing expensive specialty machines. ENT practices are relatively new to private equity and are gaining traction due to the increasing prevalence of hearing issues in the U.S.



## Ophthalmology

### *Forecasted Revenue Growth in the Ophthalmic Pharma Market*

The global ophthalmic pharmaceutical market, valued at \$30.1 billion in 2023, is projected to grow at a CAGR of 6.3% from 2024 to 2034. This growth is fueled by the increasing prevalence of eye-related conditions, including over 2.2 billion individuals globally facing near-sightedness or farsightedness



## Dermatology

### *Consortium Sales are Increasing Value for Dermatology Practices*

The dermatology sector is experiencing a rise in consortium sales, where multiple practices agree to sell together. This unique strategy is boosting value for practice owners by attracting higher valuations and increased buyer competition. Despite its complexity, this approach offers more capital options which attract various types of investors including strategic buyers, private equity groups, and family offices.



# Our Service Offerings



## Sell-Side Advisory: Sell your business

Sell your business for the highest price and the best terms. At R.L. Hulett, communicating the value of your business to targeted buyers and finding the best fit for your team is our forte. We strive to maintain your company's culture and heritage even as you transition out of your business.



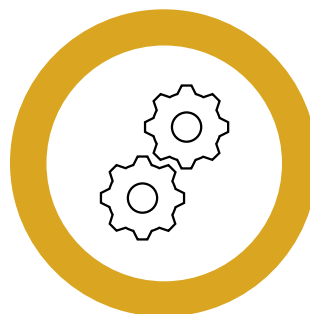
## Buy-Side Advisory: Buy a business

Searching for acquisition targets can be a challenging and time-consuming task when trying to run your own business at the same time. Navigating the risks and pitfalls in negotiating valuation and deal structure can also be a daunting task for many business owners. Let our team help you minimize your risk and reduce time wasting efforts with our decades of experience in advising in both buy and sell-side M&A transactions. We utilize industry-leading M&A databases to scout for opportunities and pre-screen for "real" actionable targets so you can stay focused on what matters.



## Capital Raise: Gain financial support

With nearly 40 years of experience in middle-market M&A advisory, we know how to package up your deal and put you in front of the right kind of investors who have the capital and the industry expertise you need to grow your business. Our team will develop a go-to-market strategy and advise on deal structure, valuation, due diligence and transition issues. Whether you are seeking capital for growth or trying to buy out other shareholders, we have the tools, expertise, and experience to execute a strategic process and find the optimal outcome to meet your objectives.



## Restructuring: reorganization of your business

In today's uncertain economic times, more and more companies are finding themselves in unfamiliar, and unwanted, positions. Many business owners are hoping recovery is just around the corner; however, proactive measures are often required to maximize the remaining value of the business. Our team can aid banking institutions with workout situations by implementing internal controls over cash management and performing on-going cash flow modeling for their clients. We can also help business owners avoid having trouble making payments on their debts and avoid the cumbersome and low-value asset liquidation process.


# Selected Transactions

Over the years, R.L. Hulett has completed hundreds of transactions in a wide variety of industries. Below are several relevant transactions in the Healthcare sector. Please note that this list is not comprehensive.





Has sold substantially all of its assets to

**Bain Capital Ventures**


Has been acquired by

**All-Staff Nursing, Inc.**


Has sold its assets to

**Cooperative Attendant Services**





Has sold substantially all of its assets to





has been acquired by

**MONTIEL ENTERPRISES**




has been acquired by

**Gateway Dental Laboratory**



## Our Team



**R. Trevor Hulett, CPA**  
Managing Director  
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Mr. Hulett has led M&A transactions in a variety of industries including manufacturing/industrial, software development/IT, business services and value-added distribution for over 15 years. Prior to joining the firm, he held senior level accounting and financial management positions in both public accounting and large corporations. Mr. Hulett began his career as a Certified Public Accountant with MPP&W, a St. Louis-based public accounting firm specializing in middle market companies. He then held various management positions in internal audit and corporate accounting with a Fortune 1000 industrial manufacturing company and also spent nine years with Enterprise Rent-A-Car Company as a department manager in the Corporate Accounting group. Mr. Hulett holds his Series 62, 63 and 79 securities registration. Mr. Hulett earned a Bachelor's Degree in Accounting from the University of Missouri, Columbia.



**Robert L. Hulett**  
Chairman Emeritus  
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Mr. Hulett founded the firm in 1981 and has negotiated and completed more than 200 transactions throughout his career. He began his career as a Certified Public Accountant and practiced with Peat, Marwick, Mitchell & Co. in St. Louis as an Audit Manager and in New York as the Director of Training for Private Business. Mr. Hulett has also served as Chief Executive & Board Member for various middle market companies. As an educator, he was an adjunct professor at New York University and a tenured faculty member at Lindenwood University in St. Louis. He conducted training sessions for middle market CPA firms throughout the country for more than ten years. Mr. Hulett earned his BS/BA Cum Laude in Accounting from the University of Missouri-Columbia, and an MBA from Lindenwood University.



## Our Team



**Ron Litton**  
Director  
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Mr. Litton has been advising business owners in mergers and acquisitions since 2013. His primary industry focus areas have included industrials, paper and packaging, distribution, energy, promotional products and direct to consumer e-commerce. Prior to 2013, Mr. Litton held a variety of C-level roles with several companies in the paper and packaging industry including Unisource, Maverick Paper, Universal Graphics and Sabin Robbins. He has bought and sold a number of businesses, advised in the sale of family/founder owned businesses, and advised in start-ups and turnaround situations for banks, owners, and private equity firms. He enjoys working with owners that want to sell or transition out of their businesses. Ron covers the Kansas City and surrounding markets for the firm. He graduated from Central Missouri State University with a BS in Graphic Arts Technology and Management.



**David T. Vass**  
Director  
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Mr. Vass has over 30 years of business management experience including more than 10 years as President of a highly successful consumer products manufacturing company with revenues exceeding \$25 million. During this time, he not only reversed a declining sales and earnings trend, but increased both sales and operating income over 100%. In addition, he has spent over 20 years at the executive level of Vice President of Sales and Business Development. Mr. Vass also has experience in a number of other industry niches including consumer products, commercial furniture and fixtures and metal recycling. He holds a Bachelor's Degree in Economics from DePauw University and an MBA from the University of Michigan.

## Our Team



**Ryan Hartman**  
Senior Analyst  
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Ryan provides analytical support for senior-level deal managers and, as a senior analyst, supervises the preparation of confidential memorandums, financial models and industry research reports. Ryan graduated with a Bachelor of Science degree in Finance from The Freeman School of Business, Tulane University. Prior to joining the firm, Ryan worked as an equity analyst for Burkenroad reports, an equity research program that produces widely circulated financial reports on small- to medium-sized companies. During his time at Tulane University, Ryan was elected as Vice President of Administration for Tulane's community government, took extensive courses in Investment Banking M&A transactions, and volunteered as a data analyst for American Red Cross.



**Charlie Meier**  
Analyst  
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Charlie provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. He graduated with a Bachelor of Science in Business Administration Degree with a major in finance and banking from the Trulaske College of Business, University of Missouri. Prior to joining the firm, Charlie worked as an investment analyst for the University of Missouri's Investment Fund Management Program. During his time at the University of Missouri, Charlie was elected as Recruitment Chairman for the Phi Delta Theta Fraternity and took extensive courses in Banking.



**Lynda Hulett**  
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Lynda Hulett leads the firm's marketing, administrative and communication efforts. She maintains the firm's proprietary CRM database, manages outbound firm communications and provides administrative support to senior deal managers. Prior to joining R.L. Hulett, Lynda spent the previous ten years in various marketing and administrative functions. Most recently, she worked as a client liaison providing administrative support for a CPA firm. Prior to that, she was employed by Moneta Group, a financial services advisory firm, where she provided marketing and administrative support to the client managers. Lynda graduated from the University of Missouri – Columbia, receiving her business degree with an emphasis in Marketing.

## About R.L. Hulett

R.L. Hulett is a middle-market investment bank based in St. Louis, Missouri, providing M&A and financial advisory services to middle-market companies. Since its founding in 1981, the firm has advised in over 275 transactions in a variety of industries including industrials, food & beverage, packaging, business services, transportation & logistics, healthcare and software/tech-enabled services. The firm has an experienced team of M&A advisors consisting of former business owners, seasoned corporate executives, professional service firm partners, CPAs and MBAs. Our ability to deliver customized solutions to meet or exceed our clients' expectations is what sets us apart from our competitors.

### Industry Sectors Covered:



**Healthcare**



**Transportation & Logistics**



**Packaging**



**Industrials**



**Tech-enabled Services**



**Food & Beverage**

### Disclaimer

The data in this document has been derived from PitchBook Data and has been compiled by R.L. Hulett. This document is strictly for illustrative purposes only. The data presented in this document is not comprehensive and should not be used for benchmarking, valuation, or for any other decision making. R.L. Hulett accepts no responsibility for loss or damage caused by dependence on the information in this document.



***Trusted Advisors.***

***Tenacious Advocates.***

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