



Specialty Healthcare Services M&A Update – Q1 2024



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Q1 2024

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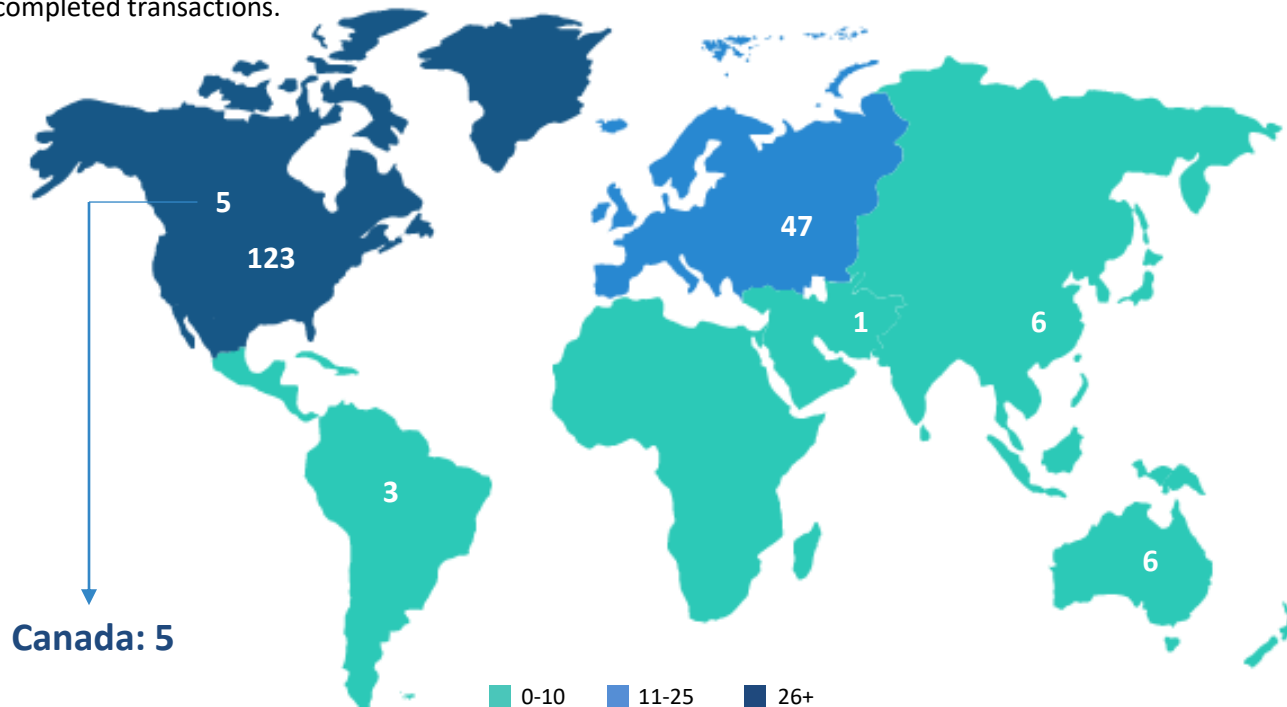
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REPORT HIGHLIGHTS

- In Q1, the S&P Health Care Services Select Industry Index increased 5.3% but was outperformed by the S&P 500, which increased 10.8% over the same period.
- The median EV/EBITDA multiple for reported strategic deals increased to 16.4x in 2024 from 8.0x in 2023. There were no reported PE multiples in Q1.
- M&A deal volume in the sector decreased 27.9% to 191 completed transactions in Q1 from 265 deals in Q4 and decreased 43.5% from 338 deals in Q1 of the prior year.
- As a % of total capital invested in M&A transactions in 2024, PE participation decreased to 58.0%, down from 60.9% in the prior year.
- North America was the most active region in Q1 with 128 deals. Most notably in the North American market was Australia Future Fund's \$720.0MM investment into Radiology Partners in February 2024.

Global Deal Analytics

Of the 191 deals in Q1 in the Specialty Healthcare Services industry, defined as Dentistry, Otolaryngology, Ophthalmology, Dermatology, Behavioral Health, Orthodontics, Cardiology, and RCM & billing Services, North America was the most active market with 128 deals closed. One of the more notable deals outside of North America during Q1 was DaVita's \$300.0 million acquisition of Fresenius Medical Care's Dialysis Clinics, a Brazilian provider of kidney dialysis services, in March 2024. Europe was the second most active region with 47. All other regions combined for a total of 16 completed transactions.



United States Regions: 123

Southeast:	26
South:	22
West Coast:	20
Great Lakes:	20
Mid Atlantic:	18
Other:	17

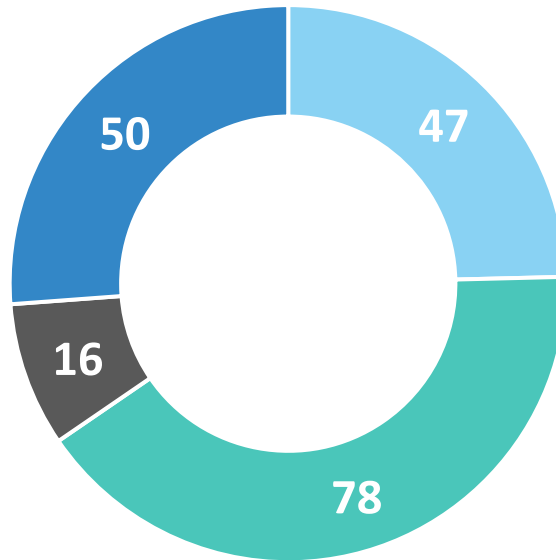
In the U.S. market, the Southeast and South regions were the most active in Q1 with 26 and 22 closed deals, respectively. A notable Southeast deal was Stonepeak's \$130.0 million investment in Akumin, a Florida-based provider of fixed-site outpatient diagnostic imaging services, in February 2024. The West Coast and Great lakes each saw 20 completed transactions and the Mid Atlantic had 18 closed deals. All other regions combined for a total of 17 completed transactions.

Outside of the U.S. in the North American market, 5 transactions closed in Canada in Q1.

Global Deal Analytics

Of the 191 Specialty Healthcare deals in Q1, 50 deals transacted in the Otolaryngology, Ophthalmology, & Dermatology subsector, making it the most active from an M&A volume standpoint. Dentistry & Orthodontics had 47 deals and was followed by RCM & Billing Services with 16 closed transactions. All other healthcare services had 78 deals close.

Deals by Subsector



Dentistry & Orthodontics

Otolaryngology, Ophthalmology, & Dermatology

RCM & Billing Services

Other Specialty Healthcare Services Providers

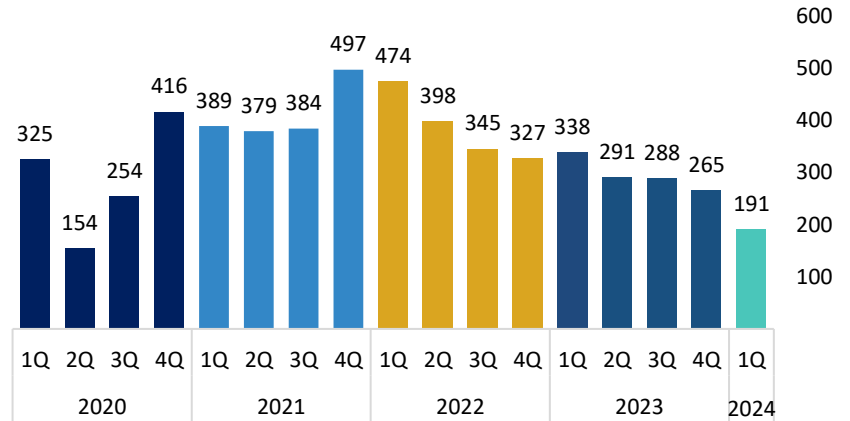


Global Deal Analytics

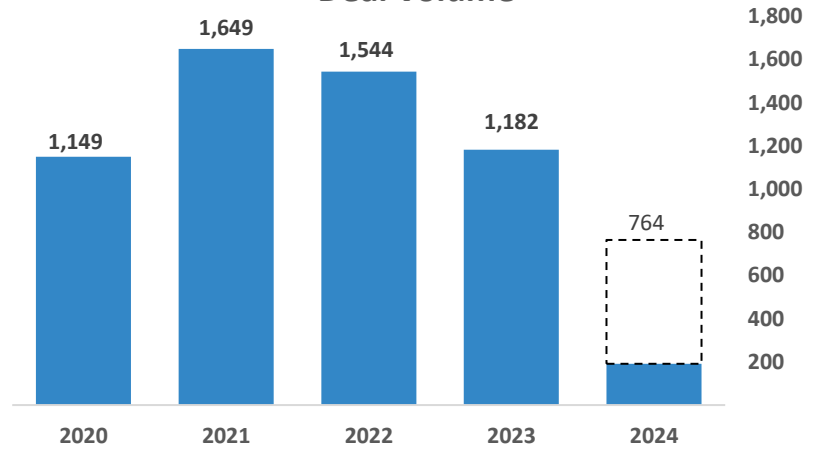
M&A deal volume in the Specialty Healthcare Services sector decreased 27.9% in Q1 to 191 deals from 265 in Q4 and decreased 43.5% from 338 in Q1 of the prior year.

Based on Q1 activity, annual deal volume is anticipated to see a 35.4% decline to 764 deals in 2024, down from 1,182 in 2023. We attribute this decline to more challenging market conditions from a dealmaking perspective, including elevated interest rates/cost of capital and tightened liquidity from lenders. We anticipate market conditions loosening in 2H 2024 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.

Deal Volume

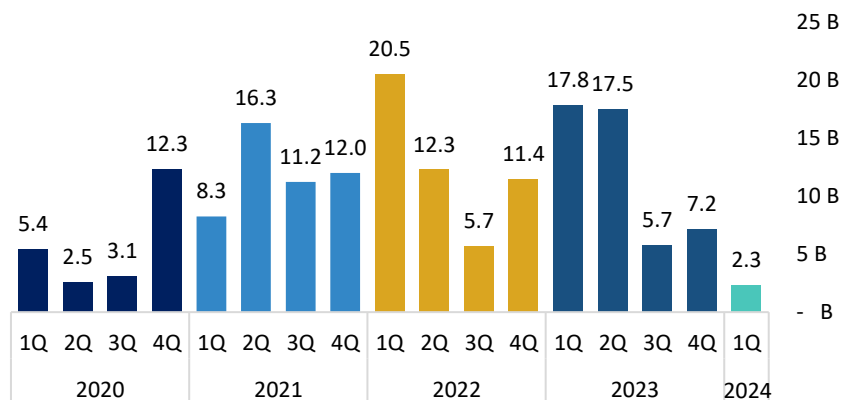


Deal Volume



Total Capital Invested

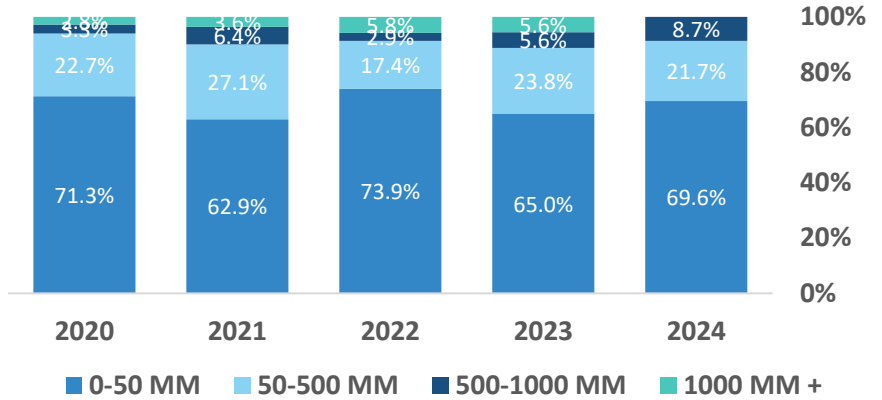
Total capital invested in M&A deals in the sector decreased 68.1% in Q1 to \$2.3B from \$7.2B in Q4 and decreased 87.1% from \$17.8B in the same period of the prior year. The significant decrease from Q4 is primarily due to Thoma Bravo’s \$1.8 billion acquisition of NextGen Healthcare in November 2023.



Global Deal Analytics

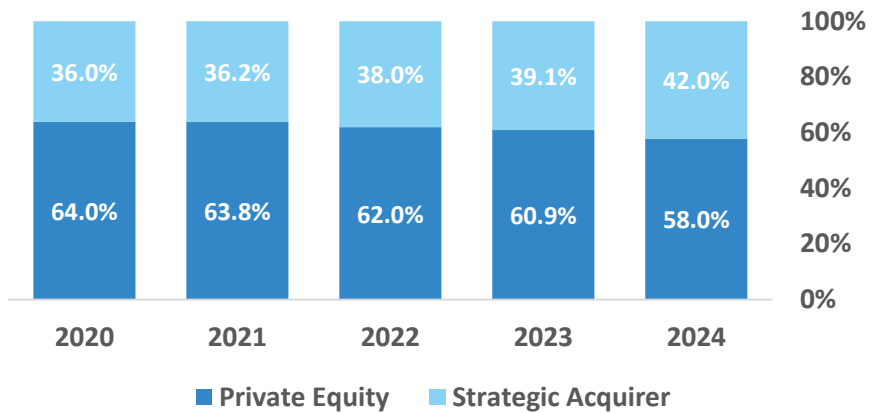
In Q1 2024, we saw a shift towards the lower middle (\$0 - \$50 MM) tranche, which increased to 69.6% from 65.0% in 2023. The upper middle (\$500 - \$1000 MM) tranche increased to 8.7% in Q1 from 5.6% in the prior year. The middle market (\$50-\$500 MM) saw a decrease to 21.7% from 23.8% in 2023 and no deals in the large cap (\$1000 MM+) tranche were reported in the quarter.

Deal Volume by Deal Size



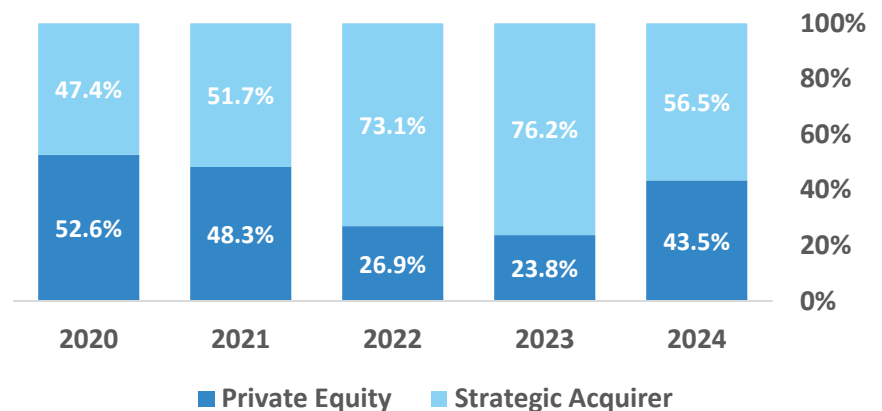
As a % of total deal volume, PE buyers trended slightly lower in Q1, representing 58.0% of deal volume in the sector, down from 60.9% in 2023. 2024 marks the lowest share of PE deal volume over the last 5 years.

Deal Volume by Acquirer



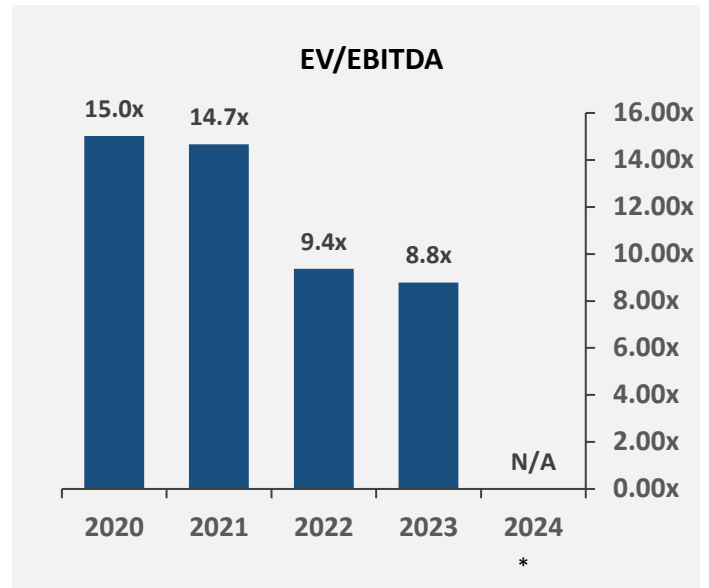
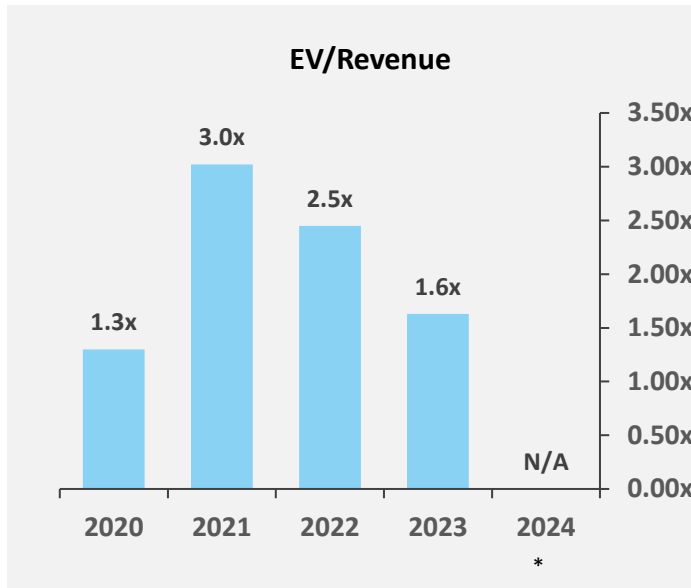
Despite PE's share of deal volume trending slightly lower from the prior year, total capital invested by PE investors (as a % of overall capital invested) increased significantly in 2024 to 43.5% from 23.8% in 2023. This increase in PE's share of total capital is primarily due to a decline in strategic buyer investment in Q1 compared to 2023. In May 2023, CVS Health invested \$10.6B in its acquisition of Oak Street Health. Comparatively, the largest strategic deal in Q1 was MedImpact HealthCare Systems' \$576.5 million acquisition of Elixir Rx Solutions.

Total Capital Invested by Acquirer

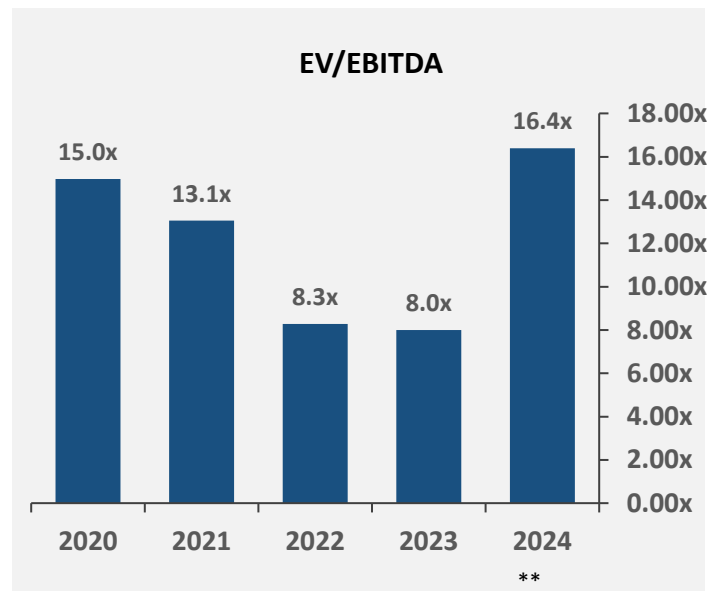
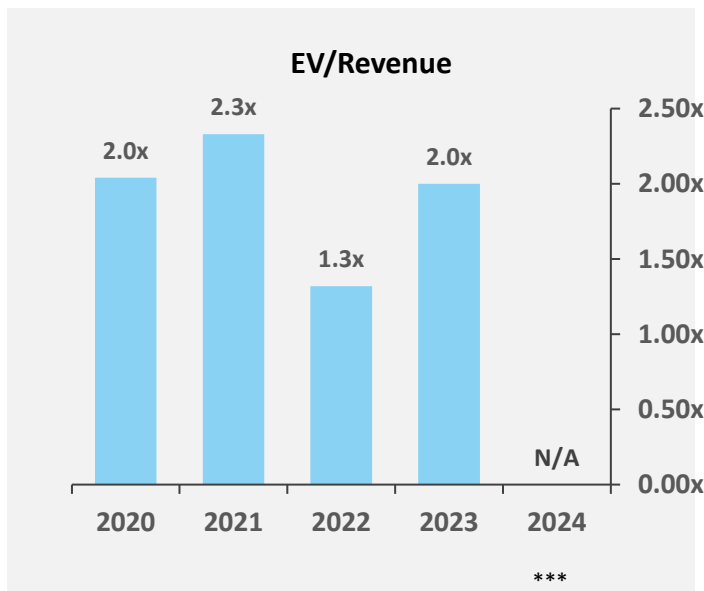


Valuation Multiples

Private Equity Multiples



Strategic Multiples



* No Private Equity EV/Revenue or EV/EBITDA multiples were reported in 2024.

** Only one Strategic EV/EBITDA multiples were available in 2024.

*** No Strategic EV/Revenue multiple was reported in 2024.

Largest Deals (Disclosed)

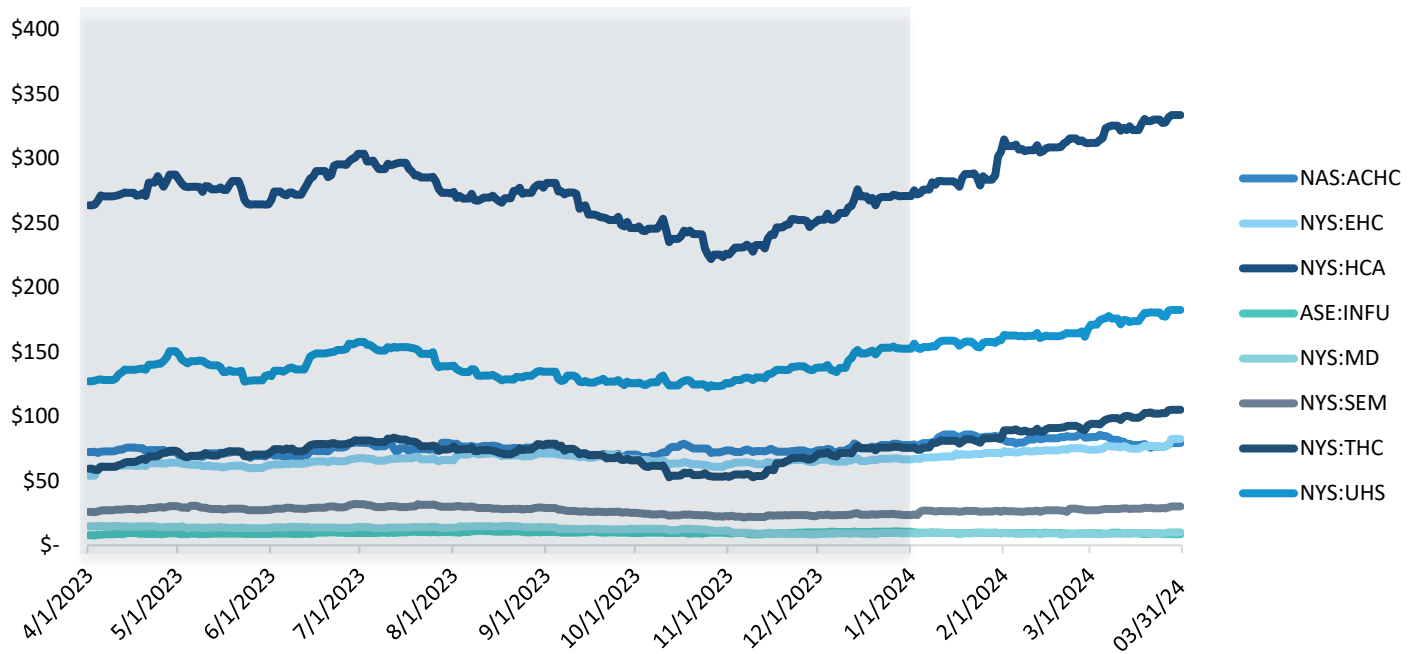
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
20-Mar-2024	Lightfully Behavioral Health	Regal Healthcare Capital Partners	PE Growth/Expansion	\$ 50.0			Operator of a behavioral health organization focused on primary mental health care.
14-Mar-2024	GPS Dental	Undisclosed Investor	PE Growth/Expansion	2.6			Operator of a dental service organization intended for dentists across the United States.
05-Mar-2024	Fresenius Medical Care's Dialysis Clinics	DaVita	Merger/Acquisition	300.0			Provider of kidney dialysis services in Brazil, Colombia, Chile and Ecuador.
04-Mar-2024	Fertility North	Monash IVF	Merger/Acquisition	7.8			Provider of fertility and endometriosis treatment clinic catering to individuals and couples in Perth.
04-Mar-2024	Headlands Research	Undisclosed Investor	PE Growth/Expansion	2.5			Operator of a network of clinical trial sites intended to improve the clinical trials process.
22-Feb-2024	Radiology Partners	Australia Future Fund	PE Growth/Expansion	720.0			Operator of multi-state onsite radiology centers intended to bring together the radiologists, leaders, clinical value and radiology services.
16-Feb-2024	GenesisCare	Undisclosed Investor	PE Growth/Expansion	56.0			Provider of specialist care for cancer and cardiovascular disease intended to give its patients the safest life outcomes possible.
14-Feb-2024	Lightwave	Undisclosed Investor	PE Growth/Expansion	8.0			Provider of non-clinical management assistance services intended for dental organizations.
12-Feb-2024	Harley Academy	Rockpool Investments	PE Growth/Expansion	10.1			Operator of a higher education in aesthetic medicine intended to serve students in the medical sector.
12-Feb-2024	Helena Regional Medical Center	Progressive Health Group	Merger/Acquisition	2.5			Provider of healthcare services intended for improving community health.
09-Feb-2024	ALEXIS HOSPITAL	Max Healthcare Institute	Merger/Acquisition	49.6		16.40x	Operator of a multispecialty hospital intended to be a partner of every healthcare seeker by providing efficient and expert care.
06-Feb-2024	Akumin	Stonepeak	PE Growth/Expansion	130.0			Akumin Inc is a Canada-based company that provides freestanding, fixed-site outpatient diagnostic imaging services in the United States.
01-Feb-2024	Elixir Rx Solutions	MedImpact HealthCare Systems	Merger/Acquisition	576.5			Operator of a full-service pharmacy benefit management (PBM) company intended to serve individuals, associations and corporations.
01-Feb-2024	Our Lady of Lourdes Memorial Hospital	Guthrie	Merger/Acquisition	140.0			Operator of the general hospital based in Binghamton, New York.
31-Jan-2024	Medical City Sachse	Medical City Plano	Merger/Acquisition	41.0			Operator of an acute care hospital based in Sachse, Texas.
25-Jan-2024	OnPoint Healthcare Partners	Fort Maitland Capital	PE Growth/Expansion	18.5			Provider of practice management services intended for health systems, medical groups and academic medical centers.
20-Jan-2024	Health Prime	Aquiline Capital Partners	Merger/Acquisition	190.0			Provider of medical back-office billing service intended to improve the health of clients' practices and the patients they serve.
12-Jan-2024	Unified Women's Healthcare	Undisclosed Investor	PE Growth/Expansion	5.3			Provider of obstetrics and gynecology focused managed care services intending to make the practice of medicine simpler, efficient and rewarding for doctors
Mean				128.4	N/A	16.40x	
Median				45.3	N/A	16.40x	
High				720.0	N/A	16.40x	
Low				2.5	N/A	16.40x	

Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
 	<p>Radiology Partners (“RP”), a California-based operator of multi-state onsite radiology centers, received \$720.0 million of development capital from Australia Future Fund in February 2024. Through the capital injection, RP has the resources and flexibility to expand its clinical services and AI capabilities.</p>	<p>PE Growth/ Expansion</p>
 	<p>Elixir Rx Solutions, an Ohio-based operator of a full-service pharmacy benefit management company, was acquired by MedImpact HealthCare Systems (“MIHCS”) for \$576.5 million in February 2024. This acquisition is the first step in MIHCS being able to offer connected care solutions to make care more personal, predictive, portable, and affordable.</p>	<p>Merger/ Acquisition</p>
 	<p>Fresenius Medical Care’s Dialysis Clinics, a Brazilian provider of kidney dialysis services, was acquired by DaVita for \$300.0 million in March 2024. With the acquisition, DaVita is the largest dialysis services provider in Latin America.</p>	<p>Merger/ Acquisition</p>
 	<p>Health Prime (“HP”), a Maryland-based provider of medical back-office billing services, was acquired by Aquiline Capital Partners (“ACP”) in January 2024 for \$190.0 million. Combining ACP’s expertise in healthcare insurance and HP’s medical back-office billing services sets the stage for HP to become a leader in the RCM services sector.</p>	<p>Merger/ Acquisition</p>

Public Comps

Stock Price

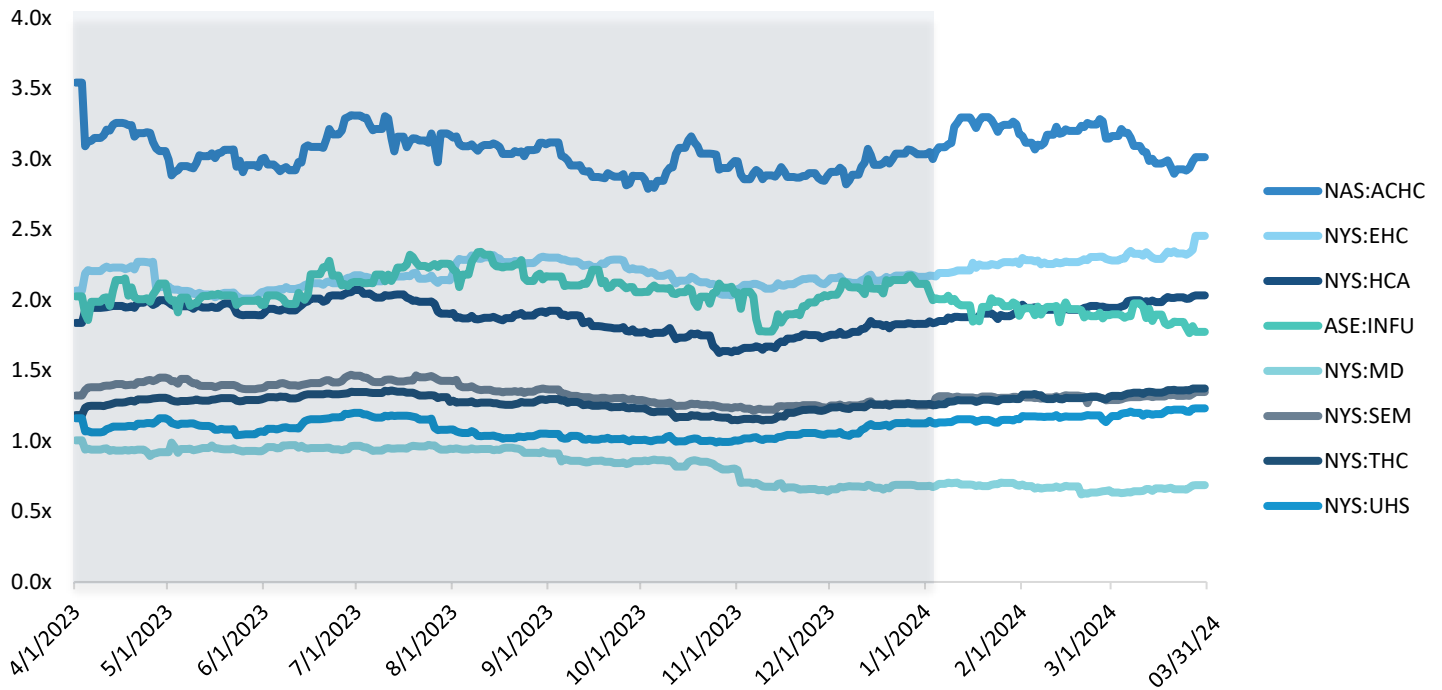


Financial & Valuation

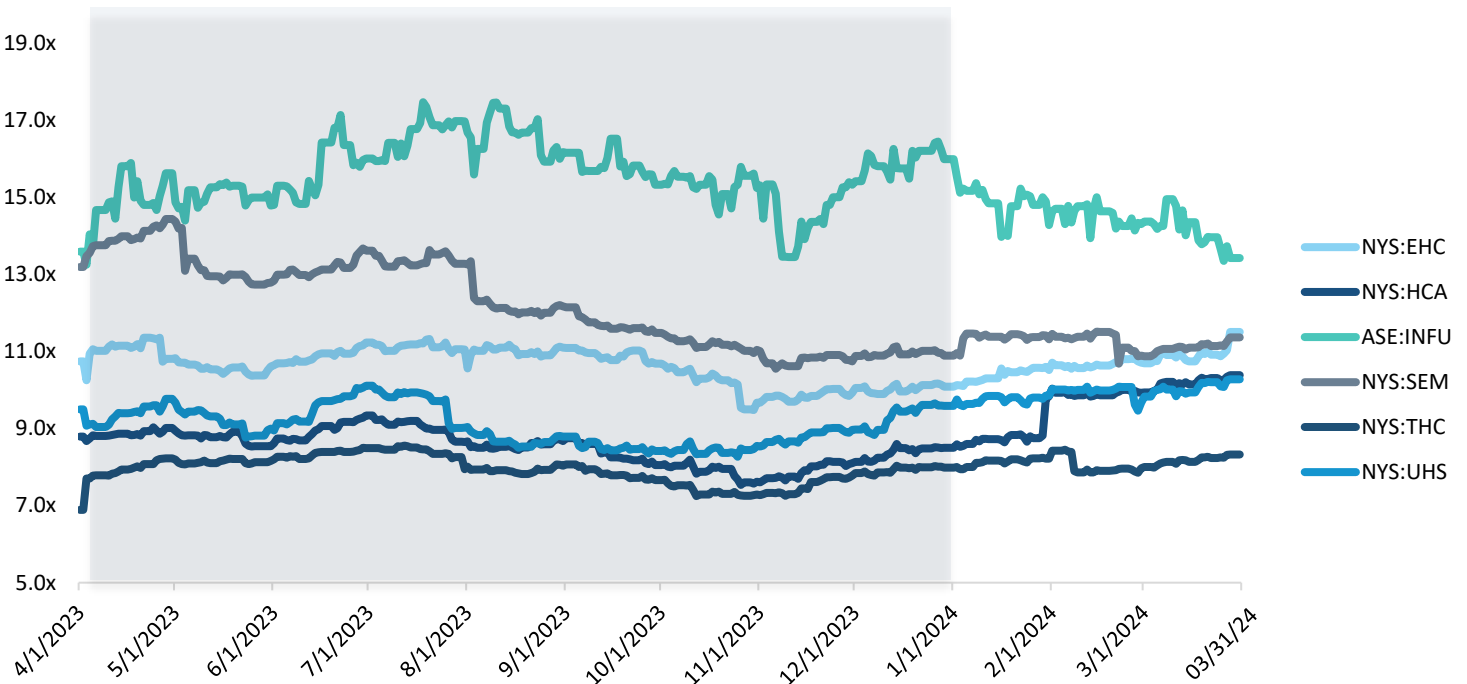
\$MM	Ticker	Stock Price	Market Cap	EV/Revenue			EV/EBITDA		
				22A	23A	24E	22A	23A	24E
Acadia Healthcare	NAS:ACHC	70	6,481	3.6x	3.0x	3.0x	16.2x	44.4x	46.6x
Encompass Health	NYS:EHC	67	6,731	2.0x	2.1x	2.5x	10.5x	10.0x	11.5x
HCA Management Services	NYS:HCA	246	66,904	1.8x	1.8x	2.0x	8.7x	8.4x	10.4x
Infusystem Holdings	ASE:INFU	10	203	1.9x	2.1x	1.8x	12.8x	16.0x	13.4x
Pediatrix Medical Group	NYS:MD	13	1,067	1.0x	0.7x	0.7x	10.3x	6.8x	45.8x
Select Medical Holdings	NYS:SEM	25	3,213	1.3x	1.3x	1.3x	13.1x	10.9x	11.4x
Tenet Healthcare	NYS:THC	66	6,690	1.2x	1.2x	1.4x	6.7x	7.9x	8.3x
Universal Health Services	NYS:UHS	126	8,723	1.1x	1.1x	1.2x	9.2x	9.4x	10.3x
Mean				1.7x	1.7x	1.7x	10.9x	14.2x	19.7x
Median				1.6x	1.5x	1.6x	10.4x	9.7x	11.4x

Public Comps

EV/Revenue



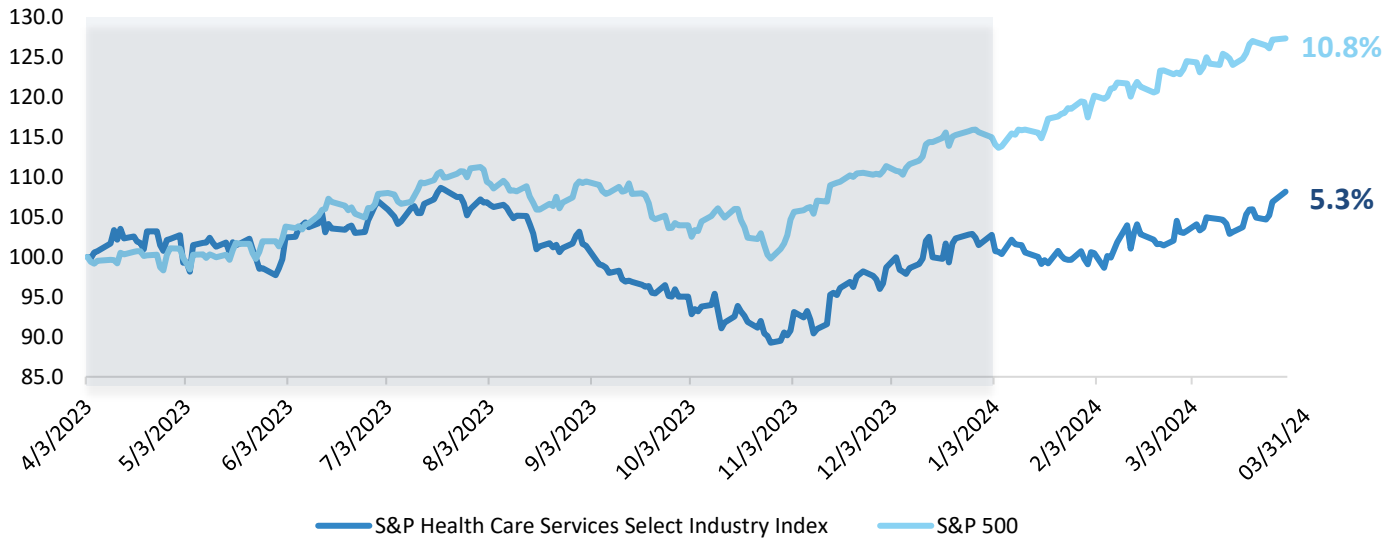
EV/EBITDA



Public Markets

Index Performance

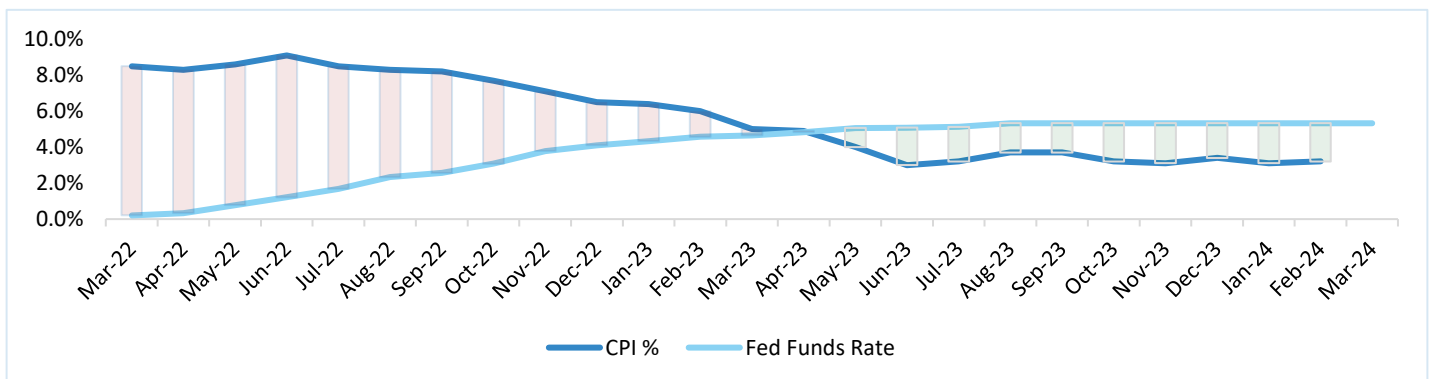
In Q1, the S&P Health Care Services Select Industry Index increased 5.3% but was outperformed by the S&P 500, which increased 10.8% over the same period.



Key External Drivers

Given the specialized and essential nature of many of the clinical services included in the Specialty Healthcare Services sector, operators and clinicians in the sector tend to fare well in downturns compared to the overall market and are less impacted by declines in consumer spending.

The Federal Reserve is anticipated to initiate a series of rate cuts in 2H 2024, with policymakers considering three cuts starting as early as June, aiming to reduce the Fed funds rate from 5.25%-5.5% to 4.5%-4.75% by yearend 2024. This outlook, coupled with the latest above-expectations performance by the Magnificent Seven Stocks, has fueled public equity activity in Q1 2024. This quarter, the S&P 500 surged to 17 new record highs and has experienced a significant YoY increase of 27.4% since April 2023. The anticipated rate cuts are poised to increase M&A activity in the Specialty Healthcare Services sector by lowering the cost of capital required to finance acquisitions. Lower borrowing costs may narrow the gap between the price sellers are willing to accept and the proposed purchase price offered by buyers. Although we anticipate elevated M&A activity relative to 2023, we do not foresee M&A activity returning to the record-high levels seen in 2021.



Industry Trends

Orthodontics

Substantial Growth in Projected Orthodontics Revenue

The Orthodontic Industry's global market size reached \$7.6 Billion in 2022. Projections indicate substantial growth in the industry, with the total orthodontic revenue expected reach nearly \$24.0 billion by 2029 with a CAGR of 17.8%.



Otolaryngology

ENT Practices Attract Private Equity

The Global ear, nose, and throat ("ENT") treatment market size accounted for \$21.1 billion in 2022 and is estimated to grow to \$33.9 billion by 2030 rising at a CAGR of 5.5%. Increasing air and noise pollution are significant factors that drive this forecasted growth, which is catching the attention of private equity investors. Increasing air and noise pollution are significant factors that drive this forecasted growth, which is catching the attention of private equity investors.



Artificial Intelligence

Integration of artificial intelligence and machine learning

Integration of artificial intelligence and machine learning in the specialty healthcare services industry is revolutionizing diagnostics and treatment planning, leading to more accurate and efficient patient care. By leveraging advanced algorithms and data analytics, healthcare providers can streamline processes, improve outcomes, and reduce costs, thereby driving growth and enhancing competitiveness within the sector.



Personalized Medicine

Expansion of personalized medicine and targeted therapies

Personalized medicine and targeted therapies involve tailoring treatments to individual patient characteristics and genetic profiles, driven by genomic research and precision medicine techniques. This trend improves patient outcomes and presents opportunities for pharmaceutical companies, healthcare providers, and investors to capitalize on innovative therapies and diagnostic tools.



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.



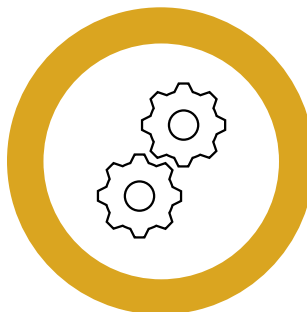
Buy-Side Advisory: Buy a business

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



 R. L. Hulett

Has been acquired by



 R. L. Hulett

All-Staff Nursing, Inc.

Has sold its assets to

Cooperative Attendant Services

 R. L. Hulett



Has sold substantially all of its assets to



 R. L. Hulett



Has been acquired by

MONTIEL ENTERPRISES

 R. L. Hulett

Has been acquired by

Gateway Dental Laboratory

 R. L. Hulett

Our M&A Deal Leaders



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 M&A Deal Leaders



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 M&A Deal Leaders



Ryan Hartman
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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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cmeier@rlhulett.com

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 University of Missouri, Charlie was elected as Recruitment Chairman for the Phi Delta Theta Fraternity and took extensive courses in Banking.



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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.



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Tenacious Advocates.

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