



# Specialty Healthcare Services M&A Update – Q2 2024



# Specialty Healthcare Services M&A Update

## Q2 2024

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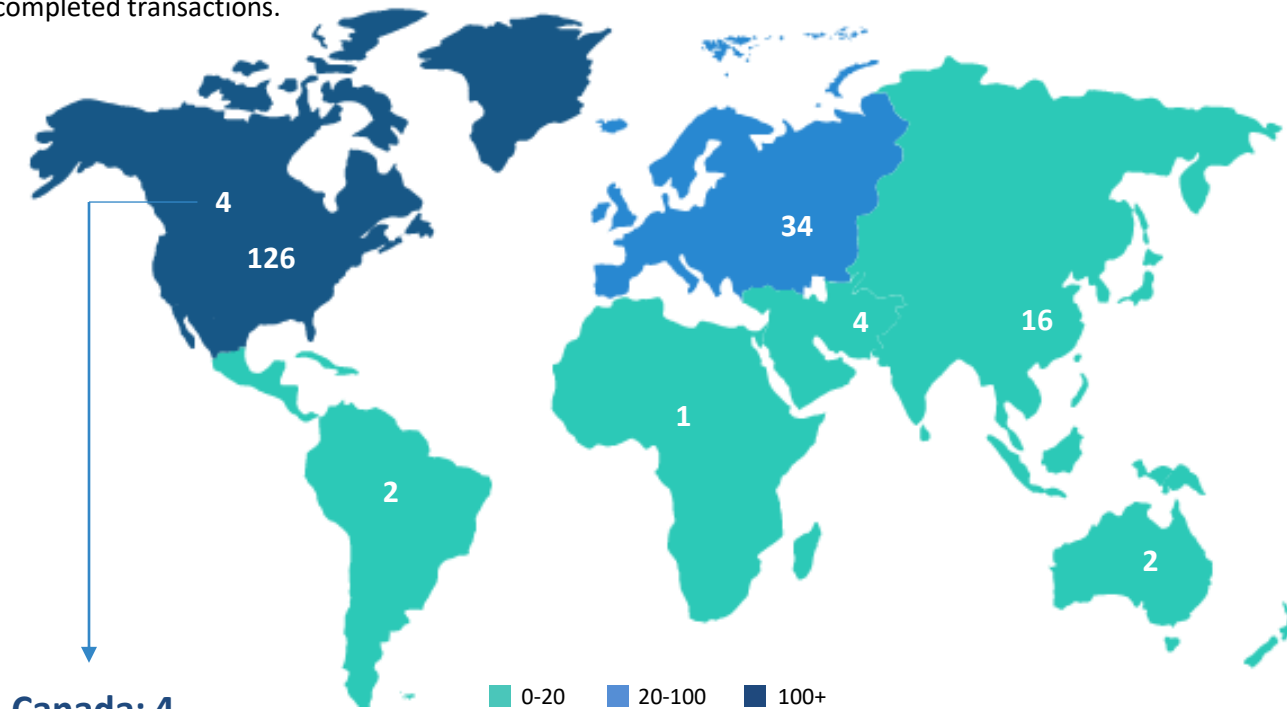
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### REPORT HIGHLIGHTS

- In Q2, the S&P Health Care Services Select Industry Index declined 4.1% and was outperformed by the S&P 500, which increased 4.1% over the same period.
- The median EV/EBITDA multiple for reported PE deals was 8.1x in 1H 2024, a decrease from 8.8x in 2023, while reported EV/EBITDA multiples on strategic buyer deals rose from 8.0x to 16.4x in the same period.
- M&A deal volume decreased 1.0% in Q2 2024 to 189 deals from 191 in Q1, and decreased 35.1% from 291 in Q2 of the prior year.
- Total capital invested in M&A deals in the Specialty Healthcare Services sector decreased 8.7% in Q2 to \$2.1B from \$2.3B in Q1, and decreased 88.0% from \$17.5B in the same period of the prior year.
- North America was the most active region in Q2 with 130 deals. Most notably in the North American market was a \$772.5MM investment in Radiology Partners in June 2024 led by Australia Future Fund.

## Global Deal Analytics

Of the 189 deals in Q2 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 130 deals closed. Europe was the second most active region with 34 deals. One of the more notable deals in the European market during Q2 was Keyhaven Capital Partners' \$217.3 million acquisition of Proclinic, a Spanish distributor of odontology products, in April 2024. All other regions combined for a total of 25 completed transactions.



**Canada: 4**

**United States Regions: 126**

**Southeast: 29**

**South: 25**

**Mid Atlantic: 18**

**Great Lakes: 15**

**Mountain: 12**

**Other: 27**

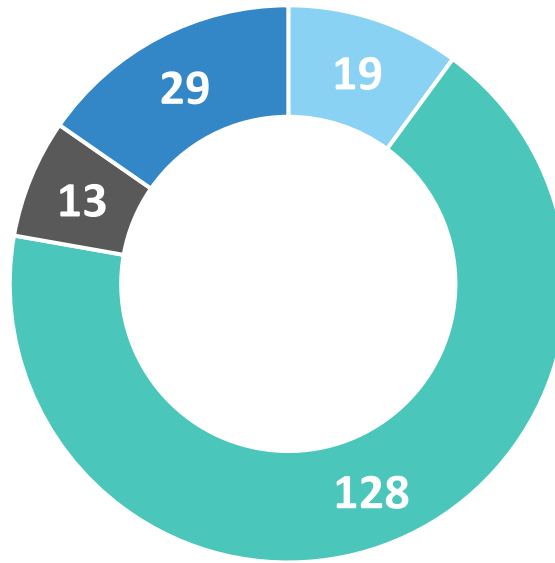
In the U.S. market, the Southeast and South regions were the most active in Q2 with 29 and 25 closed deals, respectively. A notable Southeast deal was VITAS Healthcare's \$85.0 million investment in Covenant Care's hospice operations business, a Florida-based provider of hospice care, in April 2024. The Mid Atlantic and Great lakes saw 18 and 15 completed transactions, respectively, and the Mountain region had 12 closed deals. All other regions combined for a total of 27 completed transactions.

Outside of the U.S. in the North American market, 4 transactions closed in Canada in Q2.

# Global Deal Analytics

Of the 189 Specialty Healthcare deals in Q2, 29 deals transacted in the Otolaryngology, Ophthalmology, & Dermatology subsector, making it the most active from an M&A volume standpoint. Dentistry & Orthodontics was the second most active with 19 deals, followed by RCM & Billing Services with 13. All other healthcare services subsectors combined for a total of 128 deals in the quarter.

**Deals by Subsector**

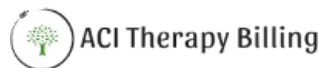


**Dentistry & Orthodontics**

**Otolaryngology, Ophthalmology, & Dermatology**

**RCM & Billing Services**

**Other Specialty Healthcare Services Providers**



# Global Deal Analytics

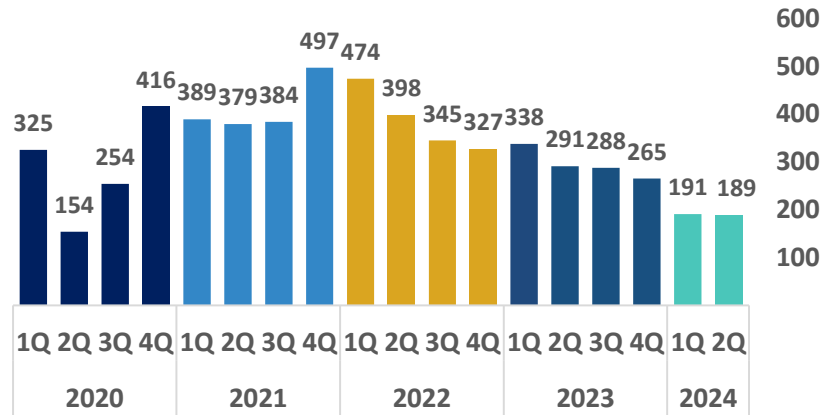
M&A deal volume in the Specialty Healthcare Services sector decreased 1.0% in Q2 to 189 deals from 191 in Q1, and decreased 35.1% from 291 in Q2 of the prior year.

M&A deal volume is anticipated to see a 35.7% decline to 760 deals in 2024 based on YTD activity through Q2, down from 1,182 in 2023.

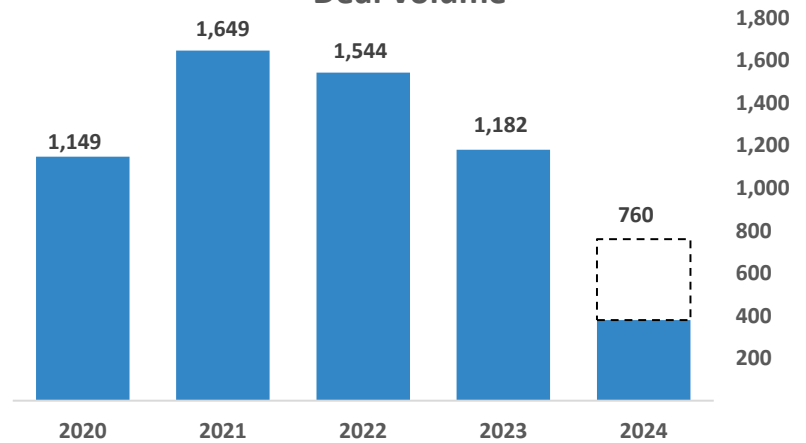
We attribute this historically low level of deal volume to more challenging market conditions from a dealmaking perspective, including elevated interest rates/cost of capital. We anticipate market conditions loosening in 1H 2025 after the election and as more of a prevailing consensus emerges around the Fed initiating one rate cut in 2024 and much of the market uncertainty overhang from 2023-2024 becomes largely in the rear view mirror.

Total capital invested in M&A deals in the sector decreased 8.7% in Q2 to \$2.1B from \$2.3B in Q1, and decreased 88.0% from \$17.5B in the same period of the prior year. Q2 marks the lowest level of capital investment in M&A in over four years and is illustrative of challenging capital markets and smaller deals. The largest deal in Q2 was Australia Future Fund's \$772.5 million investment in Radiology Partners mentioned on page 1 of this report compared to historical quarters where multi-billion dollar deals have been fairly common.

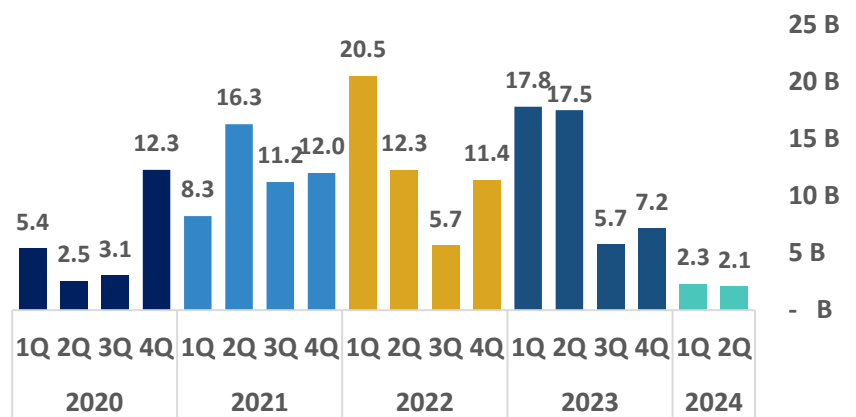
Deal Volume



Deal Volume



Total Capital Invested

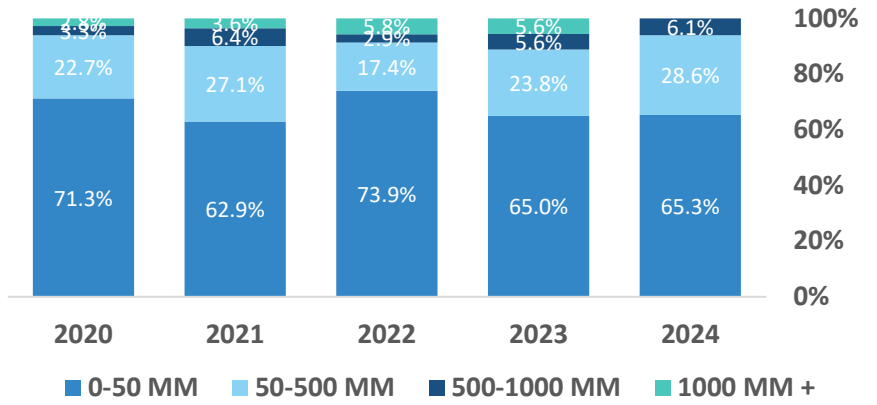




# Global Deal Analytics

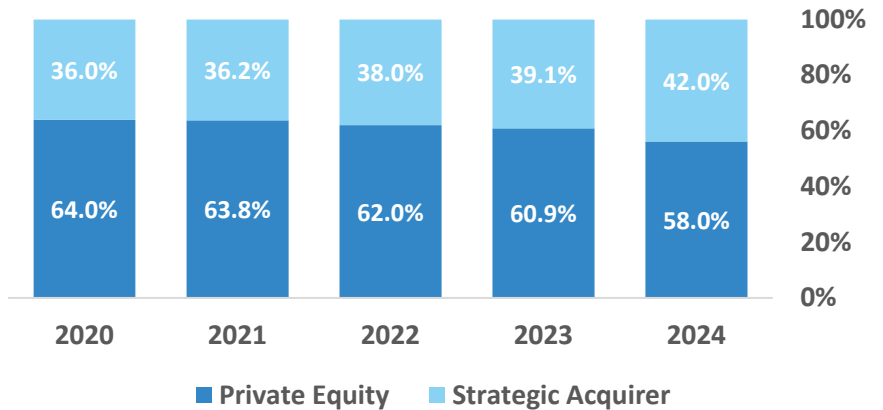
In general, we saw a shift towards smaller deals in 1H 2024, specifically in the middle market (\$50-\$500 MM), which increased to 28.6% from 23.8% in the prior year. The upper middle (\$500 - \$1000 MM) and lower middle (\$0 - \$50 MM) tranches of the market saw increases in 1H to 6.1% and 65.3% from 5.6% and 65.0% in 2023, respectively, and no deals were reported in the large cap (\$1000 MM+) tranche.

Deal Volume by Deal Size



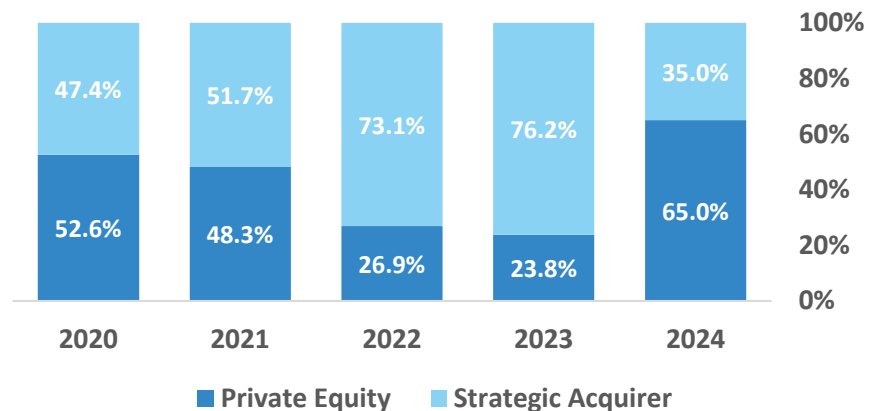
As a % of total deal volume, PE buyers trended slightly lower in 1H 2024, representing 58.0% of deal volume in the sector, down from 60.9% in 2023. 1H 2024 marks the lowest share of PE deal volume over the last 5 years.

Deal Volume by Acquirer



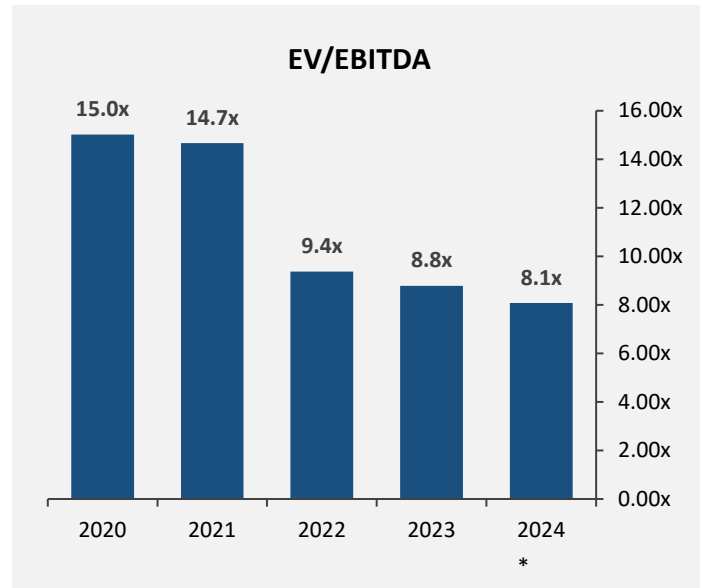
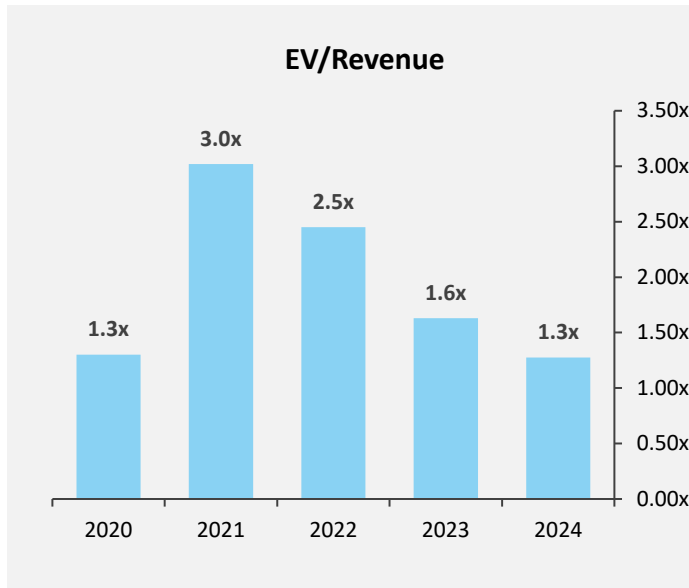
Despite PE's share of deal volume trending slightly lower from the prior year, total capital invested by PE investors (as a % of overall capital invested) increased significantly in 1H 2024 to 65.0% from 23.8% in 2023. This increase in PE's share of total capital is primarily due to a decline in strategic buyer investment in 1H compared to 2023. In May 2023, CVS Health invested \$10.6B in its acquisition of Oak Street Health compared to the largest strategic deal in 1H 2024, which was VITAS Healthcare's \$85.0 million acquisition of Covenant Care's hospice operations business in April 2024.

Total Capital Invested by Acquirer

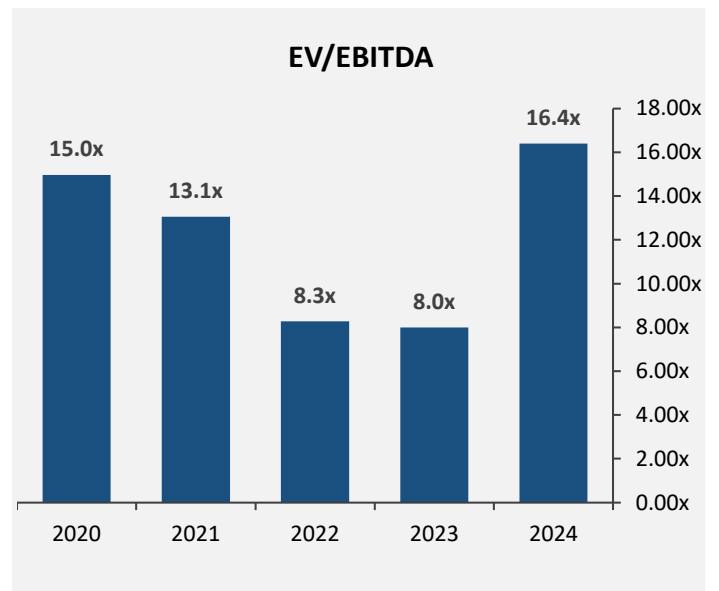
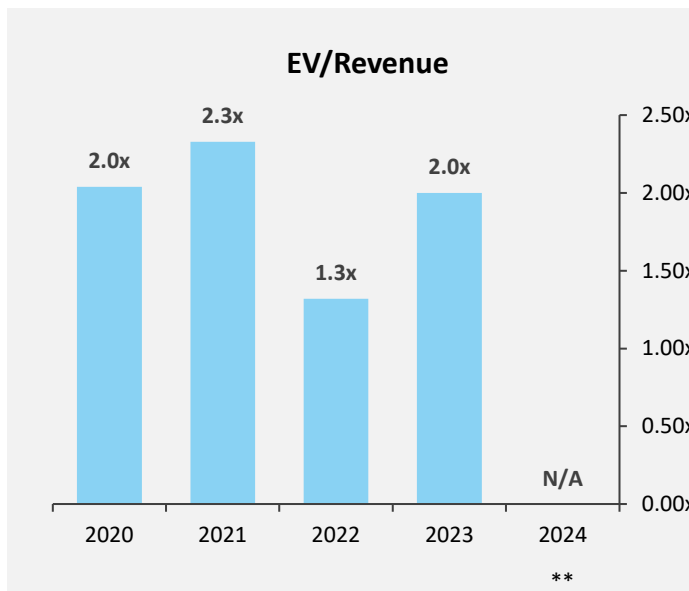


# Valuation Multiples

## Private Equity Multiples



## Strategic Multiples



\* Only one Private Equity EV/EBITDA multiple was reported 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	
28-Jun-2024	Mahatma Gandhi Cancer Hospital & Research Institute	CVC Capital Partners	Buyout/LBO	\$ 24.8			Operator of a healthcare facility intended to provide comprehensive cancer care and prevention.
24-Jun-2024	Radiology Partners	Australia Future Fund, Evolutionary Ventures, Heritage Group	PE Growth/Expansion	772.5	3.88x		Operator of multi-state onsite radiology centers intended to bring together the radiologists, leaders, clinical value, and radiology services.
18-Jun-2024	Archway Transitional Care Center	Bibb County Holdings II	Merger/Acquisition	6.8			Provider of managed care services focused on short-term rehab and long-term care.
11-Jun-2024	Sabine Hospital & Research Centre	CX Partners	Buyout/LBO	50.0			Operator of a fertility hospital intended to serve the reproductive health sector.
04-Jun-2024	Radius Residential	Windhaven Investments	PIPE	2.2	40.25x	8.08x	Provider of health and aged care for elderly and disabled people.
03-Jun-2024	Welbeck Health Partners	Ethemba Capital, MNL Nominees	PE Growth/Expansion	59.5			Provider of specialist day surgery services intended to drive the adoption of day surgery practices.
30-May-2024	Porto Dias Group	Centro Saúde Norte	Merger/Acquisition	77.9			Operator of a hospital intended to provide general and specialized medical services.
21-May-2024	Infinx	Kohlberg Kravis Roberts, Norwest Venture Partners	PE Growth/Expansion	150.0			Developer of intelligent payment lifecycle systems.
14-May-2024	Centre for Sight	ChrysCapital	PE Growth/Expansion	100.0	0.62x		Operator of a chain of eye-care treatment centers based in New Delhi, India.
14-May-2024	AEG Vision		PE Growth/Expansion	39.4			Operator of optometric practices.
08-May-2024	Pacific Smiles Group	National Dental Care	PIPE	197.4	0.58x		Operator of dental centers in Eastern Australia.
08-May-2024	The Eyemouth Dental Practice	Infinityblu Dental Care and Implant Clinic	Merger/Acquisition	1.0			Provider of dental care services focused on minimally invasive aesthetic dentistry.
03-May-2024	Quintessence Business Solutions & Services	Firstsource Solutions	Merger/Acquisition	39.3			Provider of medical billing and coding-related services intended for various medical specialties.
18-Apr-2024	Covenant Care's hospice operations business	VITAS Healthcare	Merger/Acquisition	85.0			Provider of hospice care facility based in Florida and Alabama.
16-Apr-2024	La Renon	ChrysCapital	PE Growth/Expansion	70.0			Operator of a healthcare company intended to treat chronic illnesses and diseases.
10-Apr-2024	Thind Eye Hospital	Dr Agarwals Eye Hospital	Corporate	5.0			Operator of super specialty eye hospital, intended to provide high-quality eye care.
05-Apr-2024	Proclinic	Keyhaven Capital Partners	PE Growth/Expansion	217.3	1.27x		Distributor of odontology products intended to support dental clinics and laboratories in Spain, France and Italy.
03-Apr-2024	Ujala Cygnus Healthcare Services	General Atlantic	Buyout/LBO	134.8			Operator of a chain of low-budget super-specialty hospitals based in New Delhi, India.
Mean				112.9	9.32x	8.08x	
Median				64.7	1.27x	8.08x	
High				772.5	40.25x	8.08x	
Low				1.0	0.58x	8.08x	

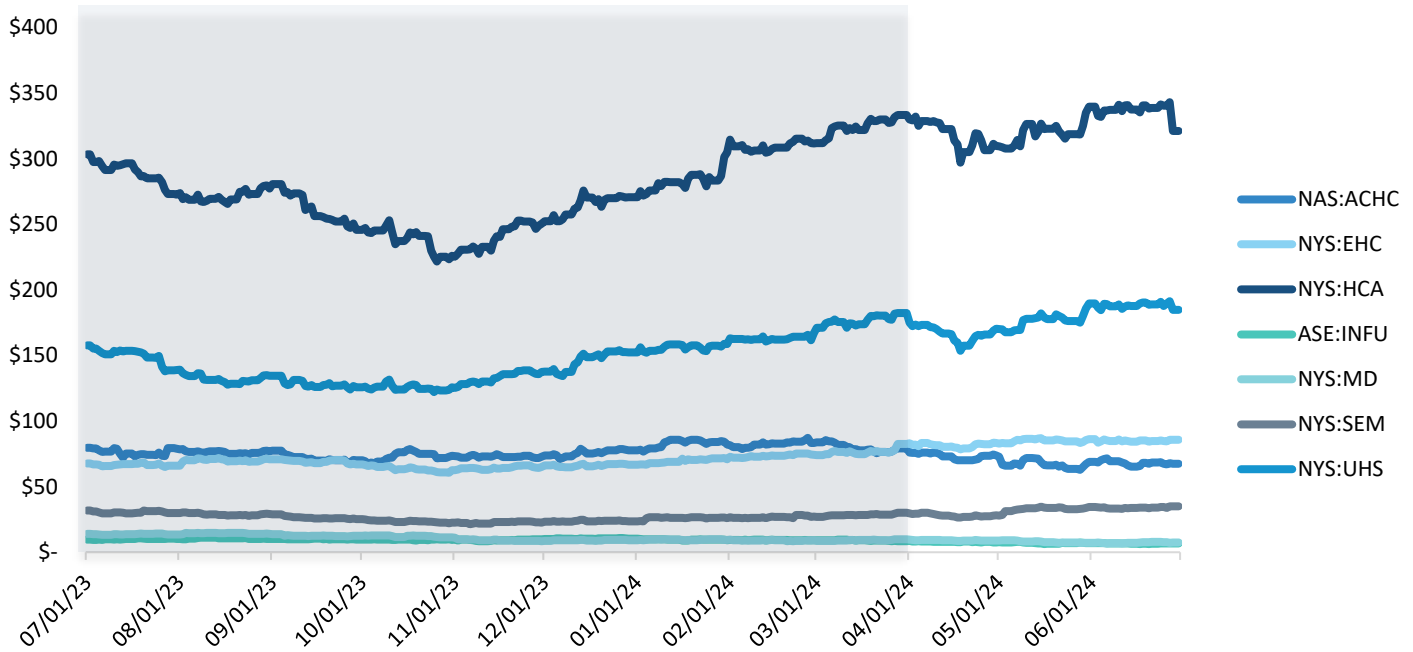


## Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
	<p>Radiology Partners (“RP”), a California-based operator of multi-state onsite radiology centers, received \$772.5 million of development capital from Australia Future Fund, Evolutionary Ventures, and Heritage Group in June 2024. Through the capital injection, RP has the resources and flexibility to expand its clinical services and AI capabilities.</p>	<p><b>PE Growth/ Expansion</b></p>
	<p>Proclinic, a Spanish distributor of odontology products, was acquired by Keyhaven Capital Partners (“KCP”) for \$217.3 million in April 2024. The acquisition will further expand KCP’s products and services offerings while reinforcing Proclinic’s commercial strategy.</p>	<p><b>PE Growth/ Expansion</b></p>
	<p>Ujala Cygnus Healthcare Services, an Indian operator of a chain of low-budget super-specialty hospitals, was acquired by General Atlantic for \$134.8 million in April 2024. The funds will be used to upgrade clinical and civil infrastructure across the Ujala Cygnus network and to augment comprehensive care.</p>	<p><b>Buyout/ LBO</b></p>
	<p>Quintessence, a Dallas-based provider of medical billing and coding-related services, was acquired by Firstsource Solutions for \$39.3 million in May 2024. This acquisition strengthens Firstsource’s RCM solutions offerings, providing more comprehensive and AI-enabled RCM solutions for health systems, and growing its offshore capabilities.</p>	<p><b>Merger/ Acquisition</b></p>

# Public Comps

## Stock Price

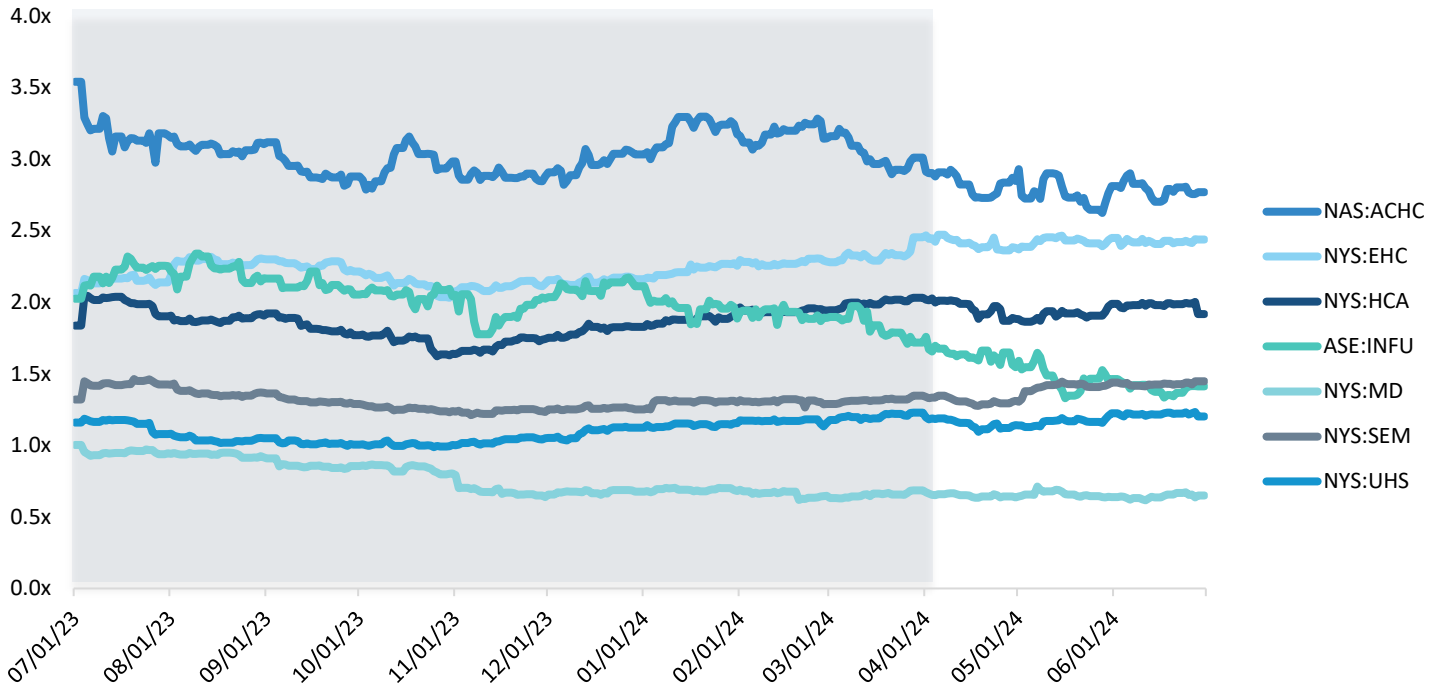


## Financial & Valuation

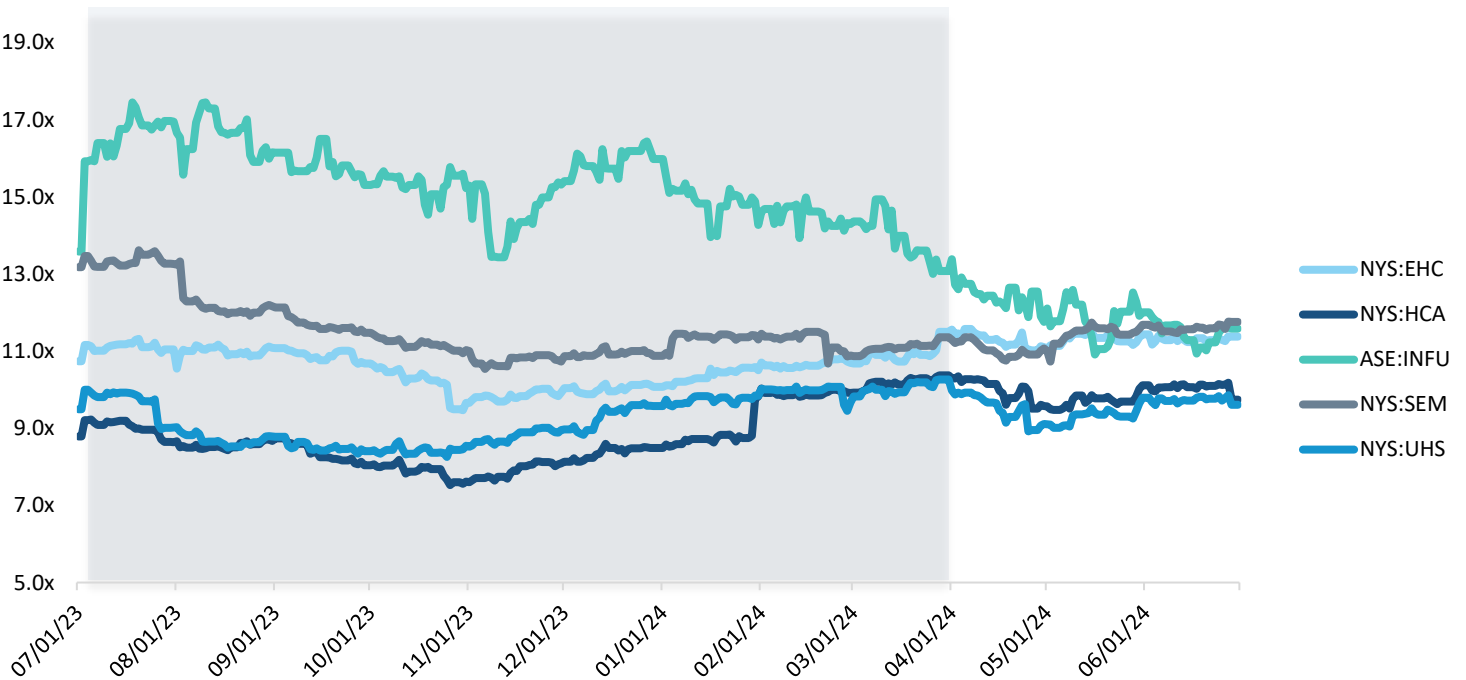
\$MM	Company	Ticker	Stock Price	Market Cap	EV/Revenue			EV/EBITDA		
					22A	23A	24E	22A	23A	24E
	Acadia Healthcare	NAS:ACHC	68	6,266	3.6x	3.0x	2.8x	16.2x	44.4x	38.7x
	Encompass Health	NYS:EHC	86	8,638	2.0x	2.1x	2.4x	10.5x	10.0x	11.4x
	HCA Healthcare	NYS:HCA	321	84,148	1.8x	1.8x	1.9x	8.7x	8.4x	9.7x
	Infusystem Holdings	ASE:INFU	7	145	1.9x	2.1x	1.4x	12.8x	16.0x	11.6x
	Pediatrics Medical Group	NYS:MD	8	635	1.0x	0.7x	0.6x	10.3x	6.8x	70.0x
	Select Medical Holdings	NYS:SEM	35	4,559	1.3x	1.3x	1.4x	13.1x	10.9x	11.8x
	Tenet Healthcare	NYS:THC	133	12,995	1.2x	1.2x	1.3x	6.7x	7.9x	4.5x
	Universal Health Services	NYS:UHS	185	12,377	1.1x	1.1x	1.2x	9.2x	9.4x	9.6x
	<b>Mean</b>				<b>1.7x</b>	<b>1.7x</b>	<b>1.6x</b>	<b>10.9x</b>	<b>14.2x</b>	<b>20.9x</b>
	<b>Median</b>				<b>1.6x</b>	<b>1.5x</b>	<b>1.4x</b>	<b>10.4x</b>	<b>9.7x</b>	<b>11.5x</b>

# Public Comps

## EV/Revenue



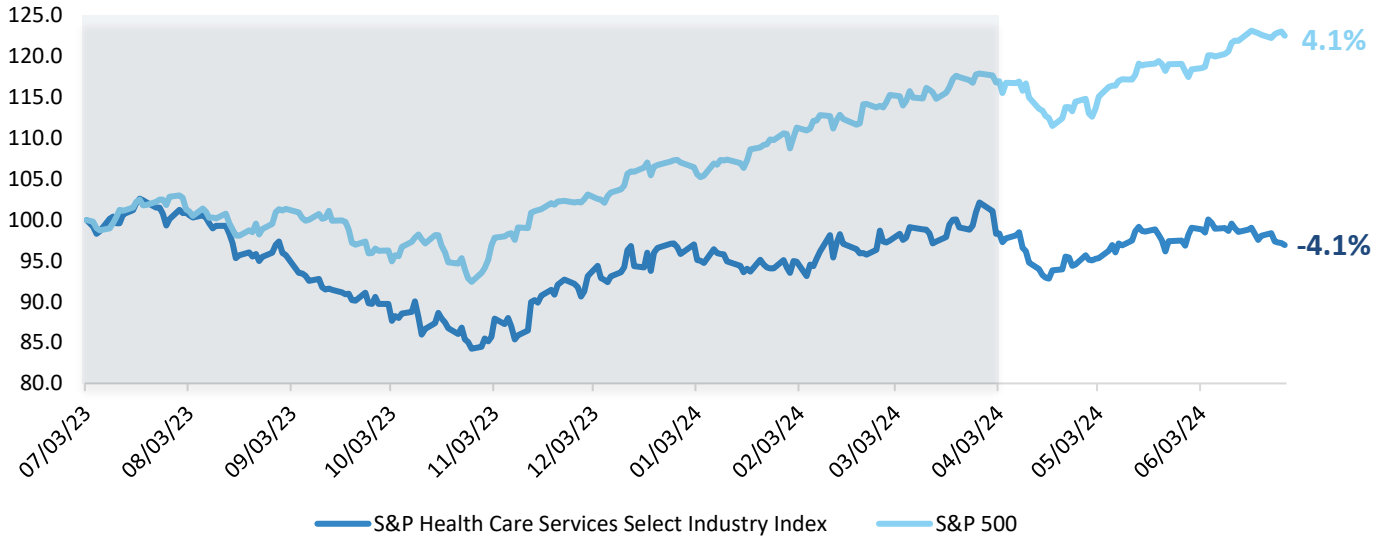
## EV/EBITDA



# Public Markets

## Index Performance

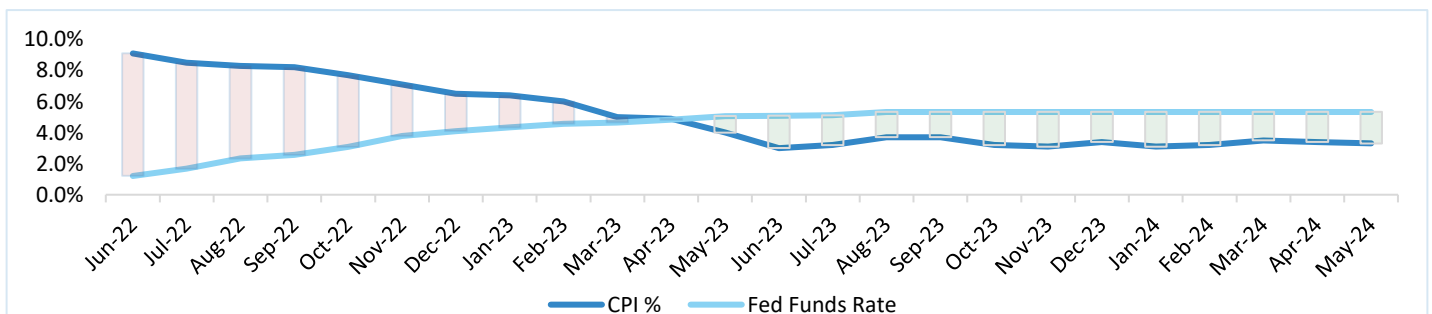
In Q2, the S&P Health Care Services Select Industry Index decreased 4.1% and was outperformed by the S&P 500, which increased 4.1% over the same period.



## 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 keep interest rates elevated after a higher-than-expected jobs report from May showing 272.0K jobs were added to the U.S. labor market. A strong jobs report indicates that consumers will have more disposable income, causing higher consumer spending that can elevate inflation. As a result of the strong jobs data, many economists have adjusted their forecasts from 3 rate cuts in 2024 to only 1 by the end of the year with a possibility of the first cut arriving as early as September. The May consumer price index (“CPI”) consensus for the upcoming June Federal Reserve meeting estimates a year-over-year increase of 3.4%, matching April’s gain. Along with their prediction that interest rates will not be cut in June, economists also claim that a rate hike would be too risky and would rock the markets. If the Federal Reserve cuts rates in 2024, the impact of lower borrowing costs may narrow the gap between the price sellers are willing to accept and the proposed purchase price offered by buyers in M&A transactions. Although we anticipate the Fed’s rate cuts to have a positive impact on M&A volume in the sector, uncertainty surrounding the Fed’s decision will likely have a dampening effect on deal volume over the next quarter.



Source: IBISWorld, S&P Global

# Industry Trends

## Orthodontics

*Continued rise in demand for orthodontics*

The global orthodontics industry was valued at \$7.2 billion in 2023 and is projected to grow to \$44.8 billion by 2032, which presents a CAGR of 22.5%. Orthodontics focuses on the prevention and treatment of various dental issues, such as misaligned or crowded teeth, malocclusions, and proper alignment of jaws. Treatments can occur through braces, aligners, retainers, and other teeth-positioning devices.



## ENT Devices

*ENT products show signs of future growth*

The global ENT devices market size was estimated at \$25.9 billion in 2023 and is expected to grow at a CAGR of 5.54% from 2024 to 2030. This growth can be attributed to several factors, such as high prevalence of ENT-related disorders, an increase in the usage of minimally invasive ENT procedures, and a rising geriatric population.



## Increasing Patient Attrition

*Patient retention rates hindered by lack of convenience*

Patient attrition averages 17.0% annually for most specialty practices, which results in about 1 in 5 patients failing to return yearly. One of the primary drivers of patient attrition is the difficulty of getting timely appointments. Without digital access and self-service scheduling, practices struggle to keep patients coming back due to limited appointment availability, preference towards online bookings, and long phone holds.



## Increased Waiting Times

*Delayed appointment scheduling results from labor shortage*

Due to the shortage of physicians, the average delay for new patients is 26 days across specialties, with certain areas having even longer waiting times. For example, orthopedic surgery appointments have 48% longer wait times compared to previous years as a result of the worsening physician shortages.



# 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.



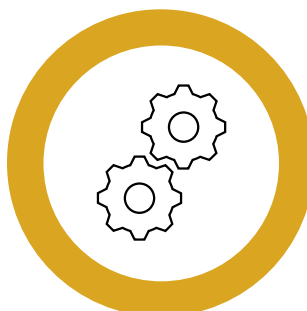
## Buy-Side Advisory: Buy a business

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

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 M&A Deal Leaders



**R. Trevor Hulett, CPA**  
Managing Director  
(314) 721-0607 x112  
thulett@rlhulett.com

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  
(314) 721-0607 x134  
rlhulett@rlhulett.com

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**  
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  
(314) 721-8027  
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.



**Lynda Hulett**  
Marketing  
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lhulett@rlhulett.com

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

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