



**Specialty Healthcare Services
M&A Update**

Q3 2024

Specialty Healthcare Services M&A Update Q3 2024

CONTENTS

- 3 Global Deal Analytics
- 7 Valuation Multiples
- 10 Leading M&A Deals
- 13 Industry Outlook
- 14 About R.L. Hulett
- 16 Selected Transactions
- 18 Our M&A Team

CONTACTS



Trevor Hulett
Managing Director
thulett@rlhulett.com



Ryan Hartman
Senior Analyst
rhartman@rlhulett.com



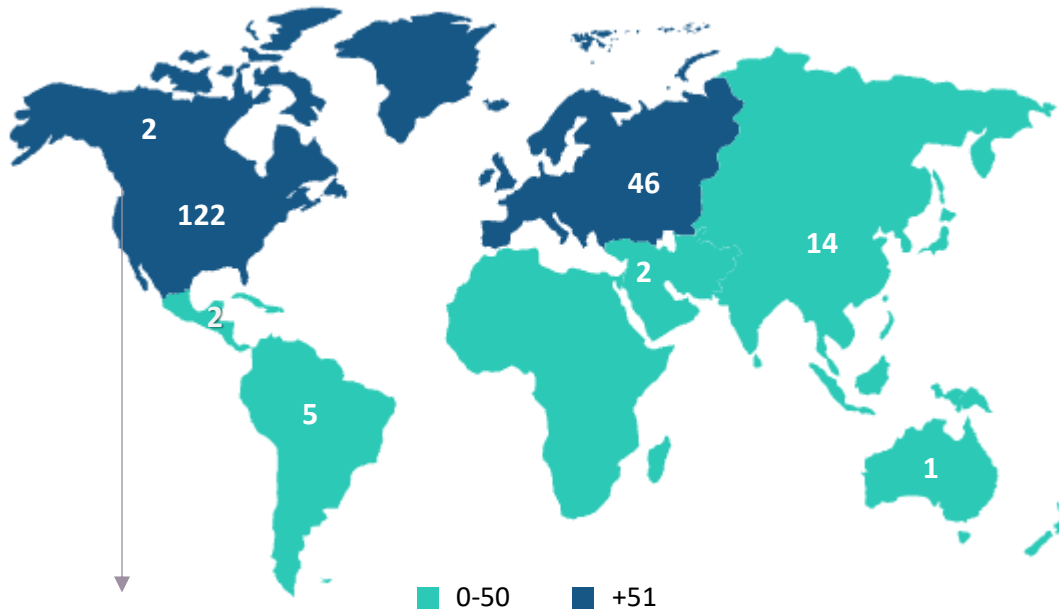
Charlie Meier
Analyst
cmeier@rlhulett.com

REPORT HIGHLIGHTS

- In Q3, the S&P Health Care Services Select Industry Index increased by 8.3% and outperformed the S&P 500, which increased by 5.3% over the same period.
- The median EV/EBITDA multiple for reported private equity deals decreased to 8.1x in the first nine months of 2024 from 8.8x in 2023, but increased for strategic deals to 16.4x from 8.0x in the prior year.
- M&A deal volume in the Specialty Healthcare Services sector increased 2.6% in Q3 to 194 deals from 189 deals in Q2, but decreased 32.6% from 288 deals in Q3 of the prior year.
- As a % of total capital invested in M&A transactions, PE participation decreased slightly in YTD Q3 to 58.0% from 60.9% in 2023.
- North America was the most active region in Q3 with 124 deals. Most notably in North America was Quest Diagnostics' \$1.0 billion acquisition of LifeLabs, a Toronto-based provider of genetic testing and naturopathic testing, in August 2024.



Of the 194 deals in the Specialty Healthcare Services sector in Q3, North America was the most active with 124. A notable North American deal (in addition to the LifeLabs deal mentioned on the previous page) was BrightSpring Health Services' \$60.0 million acquisition of Haven Hospice, a Florida-based provider of hospice and dementia care, in September 2024. Europe was the second most active with 46 transactions and all other regions combined for a total of 24 deals.



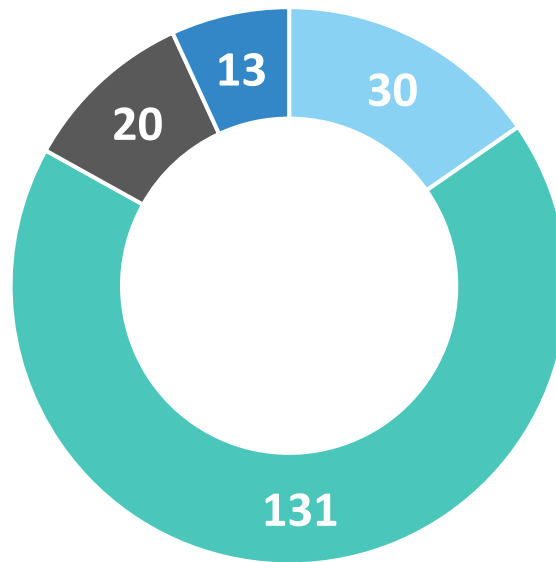
Canada:	2
United States:	122
Southeast:	31
Mid Atlantic:	27
Great Lakes:	17
West Coast:	16
Others:	31

In the U.S. market, the Southeast region was the most active area with 31 deals, followed by the Mid Atlantic with 27 closed transactions. Most notably in the Mid Atlantic region was FellowshipLIFE's \$42.5 million acquisition of Applewood Village, a New Jersey-based elderly care facility, in July 2024. The Great Lakes and West Coast regions saw 17 and 16 transactions, respectively, and all other U.S. regions combined for a total of 31 completed deals.

Outside of the U.S. in the North American market, 2 transactions closed in the Canadian market in Q3 2024.

Of the 194 Specialty Healthcare Services deals in Q3, 30 deals were 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 20, followed by RCM & Billing Services with 13 reported deals. All other transactions combined for a total of 131 deals in the quarter.

Deal by Subsector

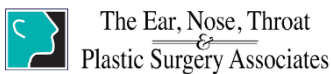


Otolaryngology, Ophthalmology, & Dermatology

Dentistry & Orthodontics

RCM & Billing Services

Other Specialty Healthcare Services Providers



The Ear, Nose, Throat & Plastic Surgery Associates

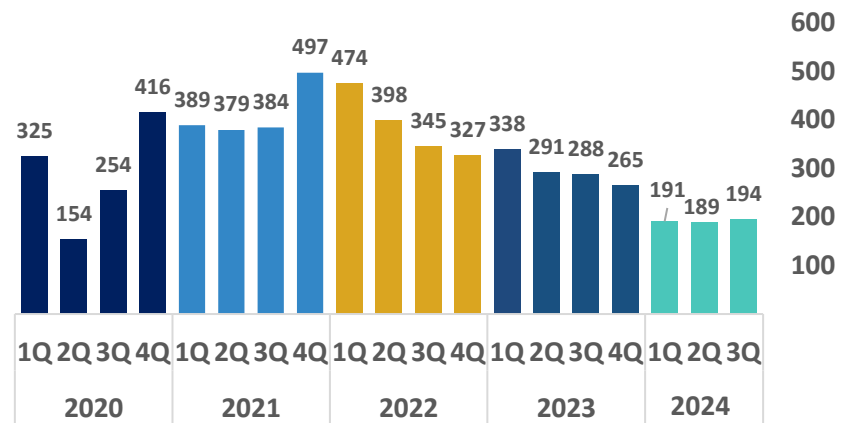


Deal volume in the Specialty Healthcare Services sector increased 2.6% in Q3 to 194 deals from 189 deals in Q2, but decreased 32.6% from 288 deals in Q3 of the prior year. Q3 volume ticked up slightly off a four-year low in Q2, but is well off the peak volumes seen in late 2021/early 2022.

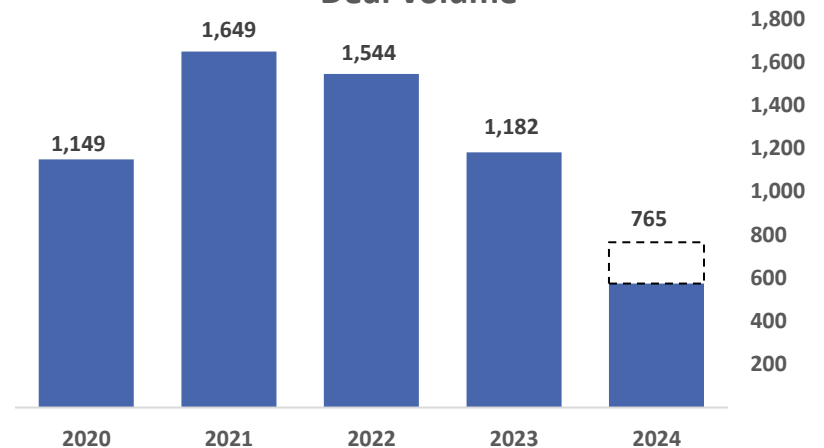
Based on activity through Q3, M&A deal volume is anticipated to decrease 35.3% to 765 deals in 2024 from 1,182 in 2023. We attribute this forecasted decline in deal volume to a sluggish deal environment in the first nine months of 2024 coupled with delays in the first rate cut to the Fed Funds rate which was originally expected in Q1 but did not happen until Q3 of 2024. However, we anticipate market conditions loosening in the coming quarters, with the Fed cuts in interest rates and the election moving to the rearview mirror.

Total capital invested in M&A deals in the sector decreased 9.5% in Q3 to \$1.9B from \$2.1B in Q2, and decreased 66.7% from \$5.7B in Q3 of the prior year. We attribute these decreases to a shift toward smaller sized deals in Q3.

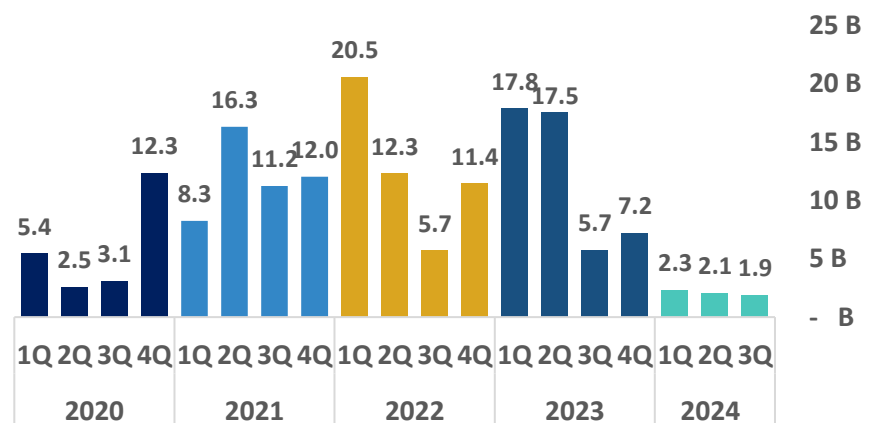
Deal Volume



Deal Volume

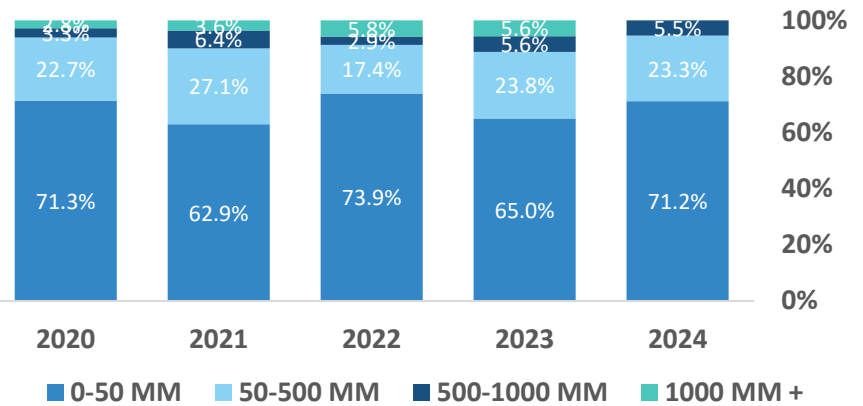


Total Capital Invested



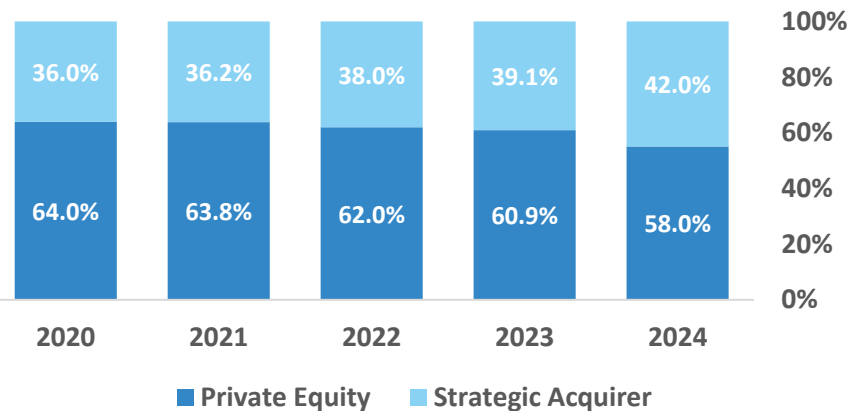
YTD through Q3, we generally saw a shift in mix toward smaller-sized deals from the prior year. The lower middle market (\$0 - \$50 MM) increased to 71.2% from 65.0% in 2023, while the upper middle (\$500 - \$1000 MM), and middle (\$50 - \$500 MM) tranches of the market saw decreases to 5.5% and 23.3% from 5.6% and 23.8%, respectively, in the prior year. No transactions in the large cap market (\$1000 MM+) were reported in YTD 2024.

Deal Volume by Deal Size



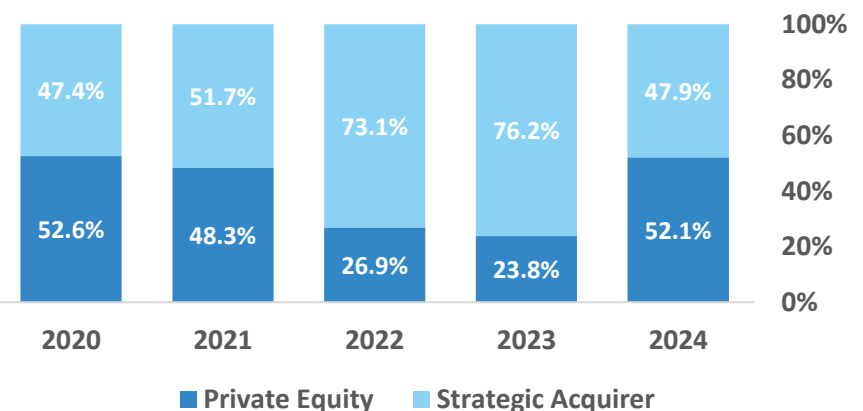
As a % of total deal volume, PE buyers have trended lower so far in 2024 relative to strategic buyers, representing 58.0% of deal volume in the sector compared to 60.9% in 2023. YTD Q3 2024 marks the lowest level of participation in the sector (from a volume standpoint) from PE buyers versus strategic buyers over the last five years.

Deal Volume by Acquirer



Despite the trend in deal volume, total capital invested by PE investors (as a % of overall capital invested) increased in YTD 2024 to 52.1% from 23.8% in 2023. YTD 2024 marks the second highest level of participation in the sector (from a % of capital invested standpoint) from PE buyers versus strategic buyers over the last five years.

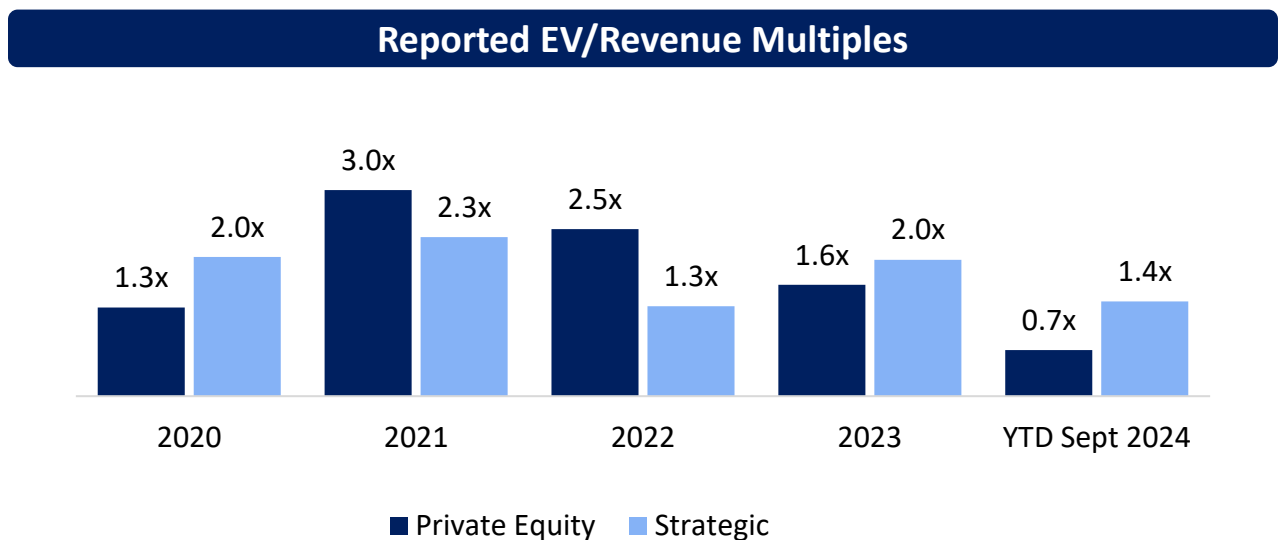
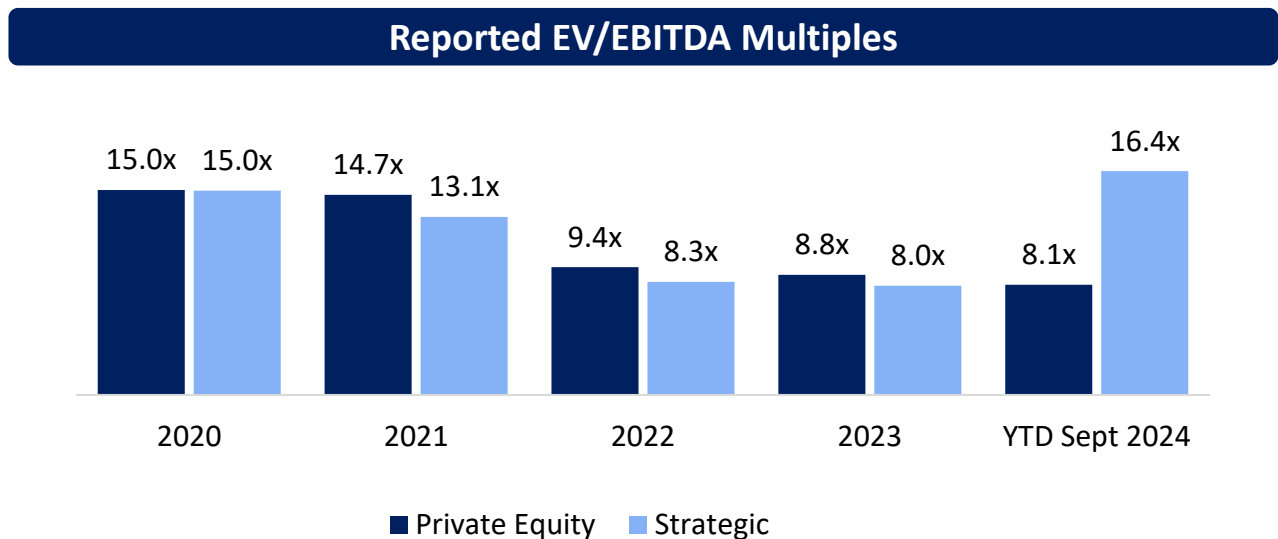
Total Capital Invested by Acquirer



The median EV/EBITDA multiple for reported private equity deals decreased to 8.1x in YTD 2024 from 8.8x in 2023, but multiples for strategic deals increased to 16.4x from 8.0x in the prior year.

The median EV/Revenue multiple for reported private equity deals decreased significantly to 0.7x in YTD 2024 from 1.6x in 2023, and decreased for strategic deals to 1.4x from 2.0x in the prior year.

YTD 2024 marks the lowest reported median EV/EBITDA multiple for PE in the past five years.



Active Strategic Investors



Investor	YTD Healthcare Inv.	Select Targets
	16	
	8	
	3	

Active Private Equity Investors

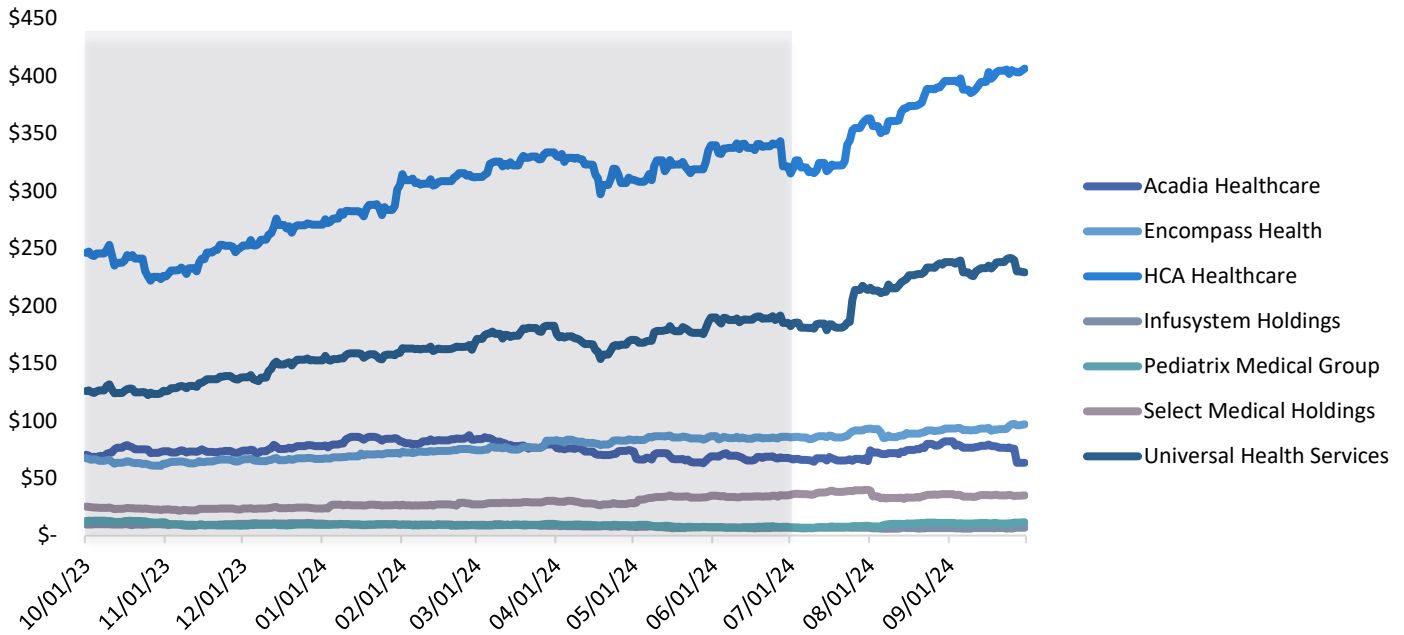
Investor	YTD Healthcare Inv.	Select Targets
	26	
	11	
	10	

Largest Deals (Disclosed)

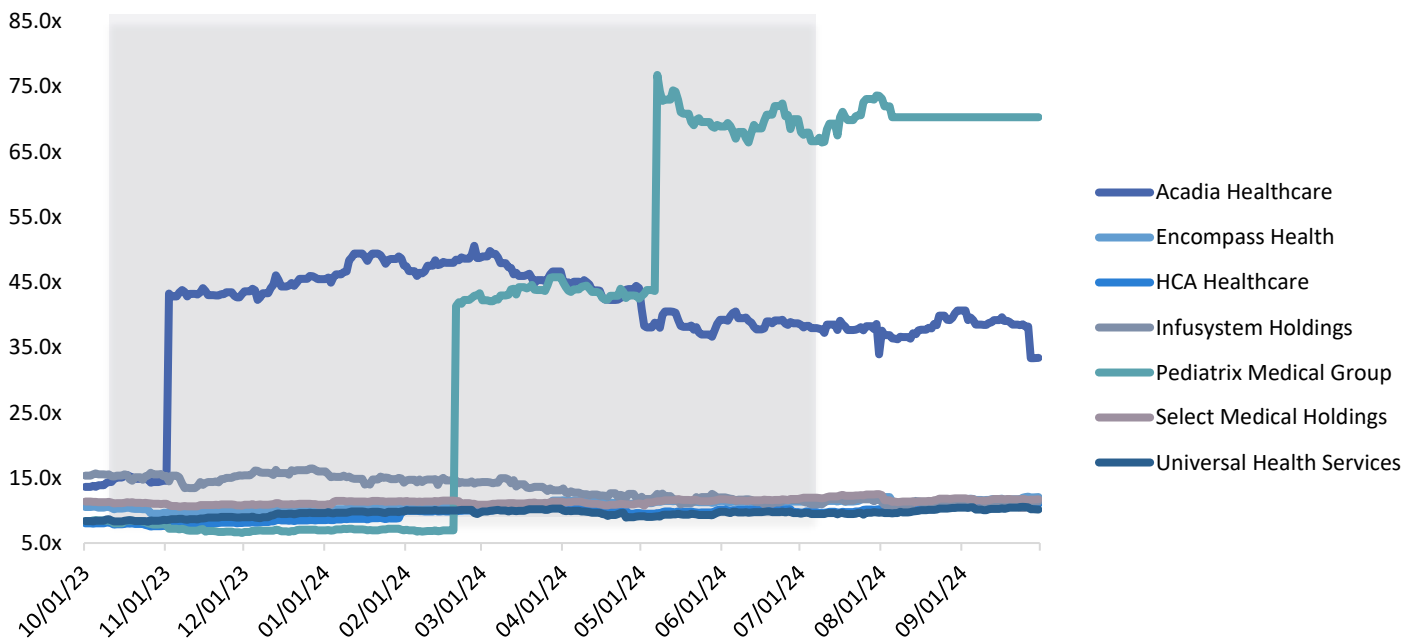
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
30-Sep-2024	Regina Maria Dental Clinics	Advanced Aesthetics Partners, Maven Equity Partners, Riviera Capital Partners	Buyout/LBO	\$ 9.3			Operator of a chain of dental clinic chain intended to serve both adults and children.
26-Sep-2024	U.S. Renal Care	Undisclosed Investor	PE Growth/Expansion	1.3			Operator of dialysis centers intended for patients suffering from kidney disease.
17-Sep-2024	Big South Fork Medical Center	FOXO Technologies	Merger/Acquisition	20.0			Operator of a medical center hospital based in Oneida, Tennessee.
17-Sep-2024	Pflege Home Healthcare	EaseMyTrip	Corporate	1.2			Provider of medical services at home based in Dubai, United Arab Emirates.
11-Sep-2024	Healthcare Data Management	Kovo HealthTech	Merger/Acquisition	3.3	1.29x		Provider of medical billing services intended to alleviate the stress and burden of medical billing for clients so that they can focus on patient care.
10-Sep-2024	The Ear, Nose, Throat & Plastic Surgery Associates	Undisclosed Investor	PE Growth/Expansion	1.0			Operator of health clinics intended to provide adult and pediatric otolaryngology and ancillary services.
05-Sep-2024	Vernose & McGrath ENT Associates	Pinnacle ENT, Zenyth Partners	Buyout/LBO				Provider of ear, nose, and throat medical services intended to serve patients of all age groups.
01-Sep-2024	Haven Hospice	BrightSpring Health Services	Merger/Acquisition	60.0			Provider of hospice and dementia care.
30-Aug-2024	Queen's NRI Hospital	Krishna Institute of Medical Sciences	Merger/Acquisition	8.9			Operator of hospital chains based in Visakhapatnam, India.
27-Aug-2024	Beijing Lidu Medical	Lancy Group Company	Merger/Acquisition	46.0	1.49x		Operator of a medical beauty hospital intended cell anti-aging clinical research and application.
26-Aug-2024	LifeLabs	Quest Diagnostics	Merger/Acquisition	1,000.0			Provider of genetic testing and naturopathic testing.
14-Aug-2024	Suasth Hospital	Nishkala Healthcare	Merger/Acquisition	22.6			Operator of a multi-specialty hospital intended to make holistic healthcare accessible reality for all age groups.
08-Aug-2024	Andorra Healthcare	Crewstone International	PE Growth/Expansion	32.4			Operator of women and children's hospital intended to serve women and children's needs and well-being.
08-Aug-2024	GenWorks Health	Evolve India, Somerset Indus Capital Partners	PE Growth/Expansion	4.9			Provider of healthcare services dedicated to building awareness by leveraging the technology.
05-Aug-2024	Invitae	Laboratory Corporation of America	Merger/Acquisition	239.0			Operator of a genetic information company in diagnostic and research industry.
29-Jul-2024	Dental Catalunya	Caser Insurance	Merger/Acquisition	4.0			Operator of a dental clinic intended to offer society a wide range of dental treatments.
09-Jul-2024	Universal Health Care/Blumenthal	Undisclosed Investor	Merger/Acquisition	22.0			Operator of a nursing home catering to an elderly retired community.
08-Jul-2024	Applewood Village	FellowshipLIFE	Merger/Acquisition	42.5			Operator of an elderly care facility.
Mean				89.3	1.39x	N/A	
Median				20.0	1.39x	N/A	
High				1,000.0	1.49x	N/A	
Low				1.0	1.29x	N/A	

Target	Investor	Driver	Deal Synopsis
		Merger/ Acquisition	<p>LifeLabs, a Toronto-based provider of genetic testing and naturopathic testing, was acquired by Quest Diagnostics for \$1.0 billion in August 2024. The acquisition will solidify Quest Diagnostics's position as a leading provider of diagnostic testing services in North America.</p>
		Merger/ Acquisition	<p>Shopko Optical, a Wisconsin-based operator of eye-care centers, was acquired by Fielmann Group ("FG") for \$290.0 million in July 2024. The acquisition aims to expand FG's presence in the upper Midwest region of the United States.</p>
		Merger/ Acquisition	<p>In September 2024, BrightSpring Health Services acquired Haven Hospice, a Florida-based provider of health care services, for \$60.0 million. The acquisition of Haven allows BrightSpring to provide advance care planning, palliative, and hospice services throughout the Florida Agency for Health Care Administration service areas 3A, 4A, and 4B.</p>
		Merger/ Acquisition	<p>Applewood Village, a New Jersey-based provider of elderly care services, was acquired by Fellowship Village for \$42.5 million in July 2024. This transition officially marks the fourth community addition to FellowshipLIFE, with three other New Jersey Life Plan Communities joining together with the organization's original community, Fellowship Village.</p>

Stock Price

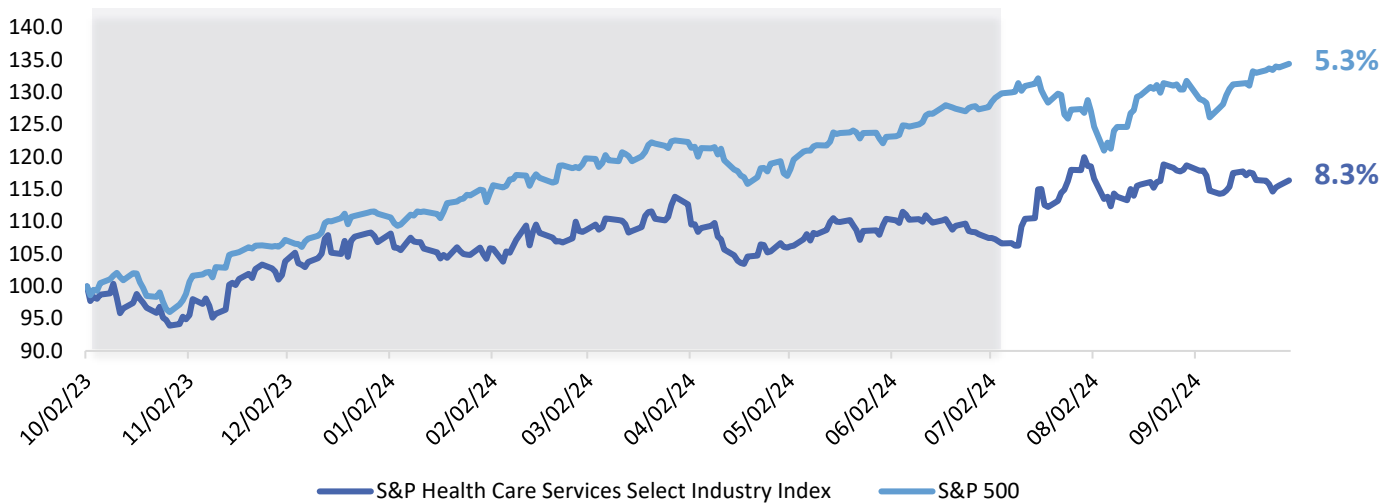


EV/EBITDA



Index Performance

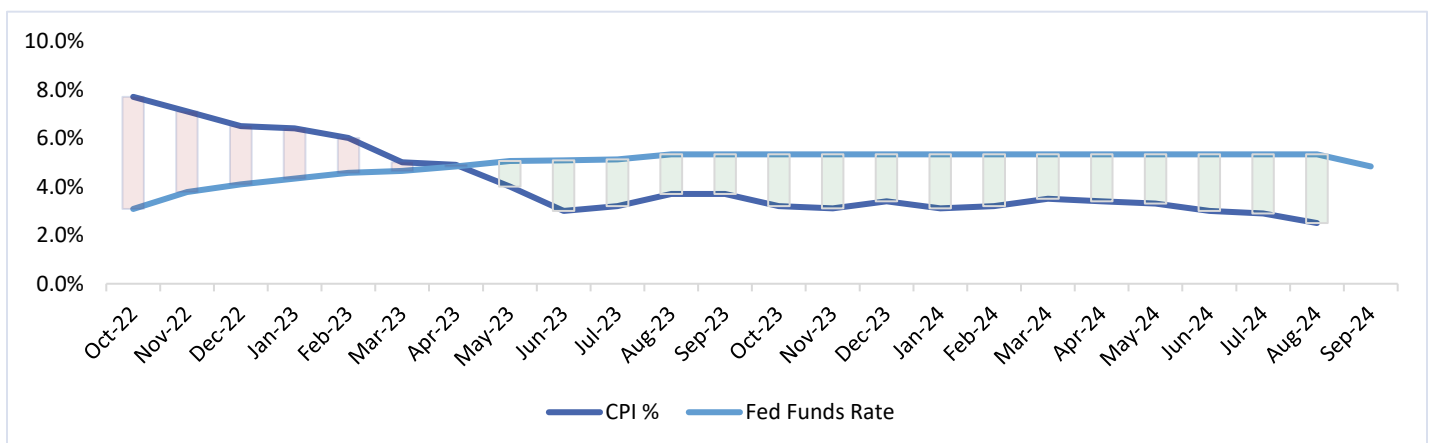
The S&P Health Care Services Select Industry Index increased by 8.3% and outperformed the S&P 500, which increased by 5.3% over the same period.



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 implemented its first interest rate cut in more than four years following a mid-September meeting, lowering the federal funds rate by 0.50%. This marks the start of what many economists predict will be a series of cuts over the next 1-2 years. The decision comes after a year of holding rates steady in the 5.25% to 5.50% range, following 11 rate hikes between March 2022 and July 2023 aimed at combating record inflation. With inflation now closer to the Fed's 2% target, many experts anticipate further rate cuts through 2025. This move could ease borrowing costs, potentially narrowing the gap between seller expectations and buyer offers in M&A transactions, which may lead to increased deal volume.



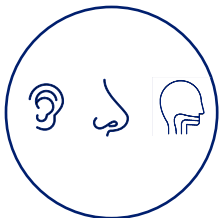
Emerging trends in the Specialty Healthcare Services M&A space:



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 backs.



ENT Devices

Hearing aids segment is expected to account for fastest growth rate

The demand for hearing aids is increasing due to the increasing population with hearing loss. Per a 2024 report by the World Health Organization, 700 million people will need hearing rehabilitation by 2050 and nearly 2.5 billion people will have some degree of hearing loss. Due to unsafe listening habits, over 1 billion young adults are at risk of developing permanent, preventable hearing loss. Additionally, small, discreet, behind-the-ear hearing aids are anticipated to drive demand from younger populations.



Physician Shortage

The physician shortage isn't going anywhere

Healthcare organizations are grappling with the increasingly difficult task of attracting and retaining physician talent to meet the increasing demand for patient care. By the end of this year, the United States is expected to have a shortage of up to 64,000 physicians. The COVID-19 pandemic exacerbated the already substantial burnout among physicians and contributed to an unprecedented departure of physicians from the clinical workforce.



Industry Threats

More sophisticated cybercrime threatens healthcare practices

Since the start of the pandemic, we've seen a surge in not only the number of fraud attempts but also their reach and complexity. Attackers know that health companies hold sensitive patient information. Privacy laws make a breach an even greater concern for healthcare companies. Cybercriminals can virtually hold hospitals, health service centers and patients captive. These disruptions could destroy critical business functions and put patients' care in danger.



Proven, Professional, Principled.

Investment Bankers for the Middle Market

About

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 280 transactions in a variety of industries including Healthcare, Transportation & Logistics, Packaging, Food & Consumer, Industrials, Business Services, 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.

Our Clients

\$10 - 250MM
Revenue

\$2 - 20MM
EBITDA

Middle Market
Privately Owned

Industries Served



Healthcare



Tech-Enabled
Services



Plastics &
Packaging



Industrials



Transportation
& Logistics



Food &
Consumer





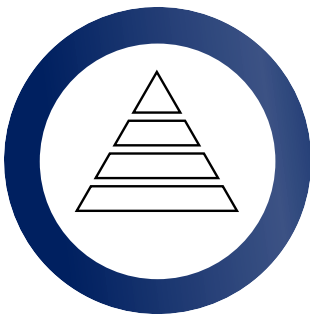
Sell-Side Advisory: Sell your business

Sell your business for the highest price and for 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.



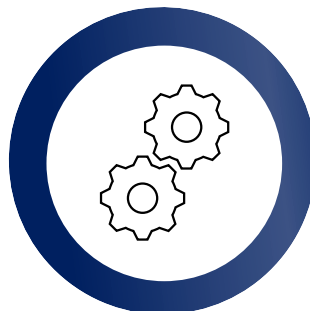
Buy-Side Advisory: Buy a business

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.

Below are two recent transactions facilitated by R.L. Hulett, showcasing our expertise in the Healthcare sector. Each transaction exemplifies our commitment to delivering exceptional value and strategic growth for our clients.



have been acquired by

Bain Capital *Ventures*



The Seller: The Corner Pharmacy operates retail pharmacies located in hospitals to provide a convenient resource for hospital in-patient and outpatient discharges, hospital-affiliated Ambulatory Surgery Centers (ASCs), and clinical visits to hospital-affiliated physician offices located in Medical Office Buildings.

The Buyer: Bain Capital Ventures is the Boston-based venture capital affiliate of Bain Capital. Founded in 1984, Bain Capital Ventures has made investments in over 110 early and growth-stage companies. Bain Capital Ventures currently has \$2 billion under management and invests in business services, consumer, healthcare, internet & mobile, and software companies.

Transaction Rationale: The Corner Pharmacy will use the investment proceeds to fund the continued expansion of its business and for general corporate purposes.



have been acquired by




The Seller: All-Staff Nursing, Inc. (“ASN”), located in the St. Louis metropolitan area, is a specialized provider of supplemental staffing services for long-term care facilities. Since its establishment in September 1990, All-Staff Nursing has been dedicated to addressing the temporary staffing needs of healthcare organizations, particularly nursing homes. Their primary focus is on supplying highly qualified healthcare professionals, including Registered Nurses, Licensed Practical Nurses, and Certified Nurse Assistants.


The Buyer: Founded in 1986, Cooperative Home Care (“CHC”) is a trusted provider of healthcare staffing and home care services in St. Louis, Missouri. The company provides nurse staffing and palliative home care services under Medicaid, Medicare and private pay programs.


Transaction Rationale: The acquisition of ASN expands CHC into the Illinois market.

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



Has been acquired by









Has sold substantially all of its assets to








Has been acquired by








Has sold substantially all of its assets to








Has been acquired by

MONTIEL ENTERPRISES





Has been acquired by

Gateway Dental Laboratory





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.



Ron Litton
Director
(816) 810-0799
rlitton@rlhulett.com

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
(314) 721-0607 x115
dvass@rlhulett.com

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.



Ryan Hartman
Senior Analyst
(314) 721-8027
rhartman@rlhulett.com

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
(314) 721-0607 x 104
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.



Trusted Advisors. Tenacious Advocates.

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.