

Q1-2023 Healthcare Services Private Equity Update

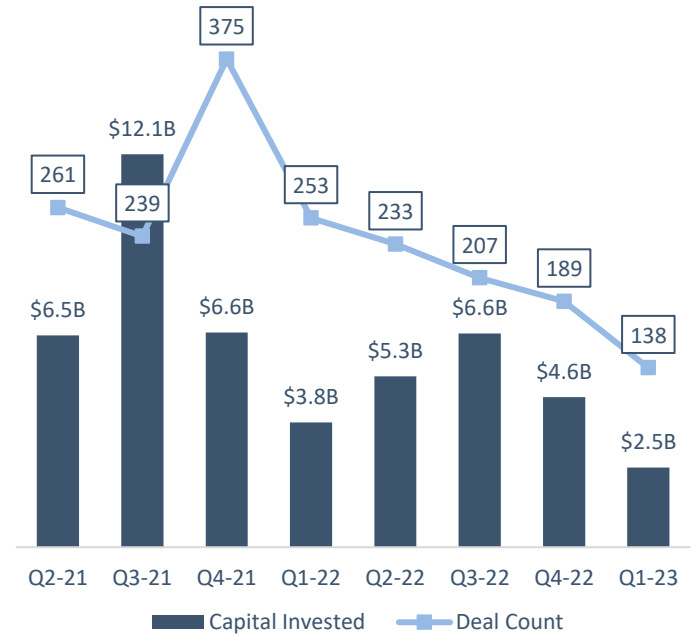
Commentary

Healthcare PE activity continued to display impressive resiliency in Q1-23, but investor sentiment was mixed as Q1-23 also saw the first bank failure in years with Silicon Valley Bank collapsing in March. The fall of SVB shook global markets with its rapid deterioration, which many VC and PE investors rely on for key sources of financing just as credit became harder to obtain. Transaction volume and capital invested in Q1-23 had been declining before SVB's collapse, as investors evaluate the new reality of rising rates and broader macroeconomic headwinds. That said, private equity firms still hold an abundant amount of capital, but the velocity in which funds are deploying capital has certainly slowed. Provident anticipates PE groups will remain bullish on bolt-ons for existing portfolio companies with existing financing relationships and expect fewer new platforms created this year due to the financing environment.

PE exits have also continued to decline off 2021 highs and even 2022, owing part to rewarding and eager IPO markets and competition from SPACs. Rather than exit platforms in 2023, PE firms and its portfolio companies are gearing up for 2024 and 2025 exits. Platforms that are focusing on both clinical and operational excellence will be rewarded in the future as the appetite for high quality assets remains elevated, and the supply and demand imbalance for quality assets becomes greater.

However, investors can gain comfort in knowing that healthcare services are perceived as acyclical, as payors and the nondiscretionary behavior of healthcare insulate PPMs and other providers from radical changes in consumer spending.

Private Equity Investment & Deal Count



Q1-23 Healthcare Private Equity Snapshot¹

Transactions 138

Healthcare transaction volume slightly declined from the prior quarter, from 189 in Q4-22 to 138 in Q1-23. Valuations are starting to plateau and decline across several services verticals, and overall M&A activity continues to slow down. However, private equity continues to turn to healthcare services given the perceived acyclical nature of the business models.

PE Exits 23

Despite the slump in exit activity over the last five quarters, there were still several notable PE exits that occurred in Q1-23. Notably, Frazier Healthcare exited United Digestive and sold the GI asset to Kohlberg & Co Mar-23. United Digestive is one of the largest GI PPM platforms in the U.S., with over 200 providers and 80 locations.

Investors 162

The diverse investor and acquirer base highlights how sectors across the healthcare services spectrum remain active and ripe for consolidation. Record levels of capital were raised in the last 24 months, and investors are mandated to deploy that capital, regardless of the macroeconomic headwinds.

Capital Invested \$5.0B+

Total capital invested and deal volume in Q1-23 faced some challenges, but displayed resiliency despite headwinds in the economy. Overall deal volume and capital invested slumped from the previous quarter, with many more investors focusing on add-on acquisitions versus platform creation, which typically requires establishing a credit facility that has proven more challenging in today's macro environment.

Largest Deal \$2.5B

PerkinElmer is global analytics services and solutions provider for the biopharma, food, environmental, safety and applied end markets. New Mountain Capital acquired PerkinElmer in Mar-23 for a rumored \$2.4B transaction,

Top Investors by Deal Count



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Select Transactions:

Month	Acquirer	Target	Target Description
February			Cardiovascular Institute of the South (CIS), one of the largest independent cardiovascular practices in the country, launched a national cardiovascular platform, Cardiovascular Logistics, in partnership with private equity firm Lee Equity Partners, headquartered in New York City.
February			Eruptr is an industry leading provider of technology-enabled digital marketing solutions and SaaS health risk assessments to help hospitals increase awareness, patient acquisition and achieve KPIs. Eruptr maintains direct customer relationships with blue-chip health systems including Johns Hopkins, UNC Healthcare, Methodist, and Inova Health System and serves a client base of over 70 systems representing over 200 hospitals.
March			Clinical Trials of America is a multi-therapeutic clinical trials company that brings to IMA four new independent and six embedded site locations in Louisiana and North Carolina
March			Headquartered in Atlanta, Georgia, United Digestive is a market leading provider of services to treat GI disorders, nutrition and digestive health. The Company has a fully integrated care model consisting of Ambulatory Surgery Center ("ASC") locations, suite of complementary ancillary services and professional services allowing United Digestive to treat a broad range of GI conditions.

About Provident Healthcare Partners

Provident Healthcare Partners is a leading, independent healthcare investment bank specializing in mergers and acquisitions advisory, strategic planning, and capital formation services for middle-market and emerging growth companies, with extensive experience in both mature and developing areas of the healthcare services industry. Our sole focus on healthcare services gives us a deeper level of understanding of each sector that cannot be matched by a generalist firm.

Our mission is to consistently exceed the expectations of our clients by leveraging superior strategic thinking, unmatched knowledge of the healthcare industry, and decades of healthcare transaction advisory experience.

With a bi-coastal presence and national coverage, 28 investment banking professionals and over \$9.0B+ in TEV to date, Provident devotes a team of seasoned professionals to every transaction to ensure an efficient and successful close.

25

Years of Healthcare Investment Banking

200+

Healthcare Deals Closed

100+

Healthcare Deals Closed In The Last Decade

28

Investment Banking Professionals

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