

HEALTHCARE *IQ*

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Industry-Specific Overview of Recent M&A and Capital Markets Activity

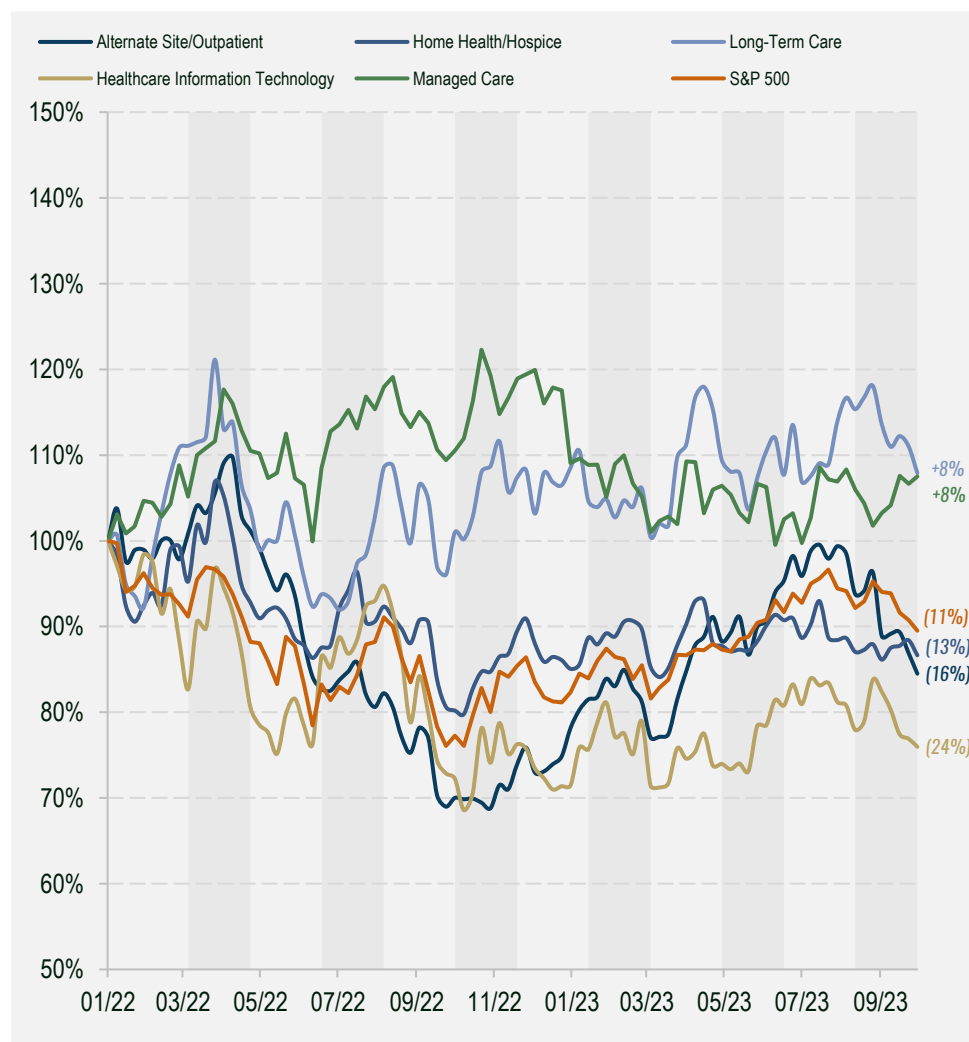
OCTOBER 2023

Recent Market Observations

Annual healthcare expenditures in the U.S. reached \$4.5 trillion in 2022, comprising ~18% of gross domestic product (GDP). According to the Centers for Medicare and Medicaid Services (CMS), healthcare expenditures will continue to increase at an average rate of 5.1% annually through 2030, reaching ~\$7 trillion. Despite this impressive scale and its critical importance in society, it is hard to recall a time when the U.S. healthcare system was not in a state of disruption. As we monitor trends in the industry, here are some current observations:

- Structural challenges, especially in the form of **staffing shortages**, continue to affect the healthcare industry. According to the latest NSI report (March 2023), the hospital turnover rate and registered nurse turnover rates decreased 3.2% and 4.6%, respectively, from 2021 record levels. However, burnout, low wages, ageing healthcare workforce demographic, and a lack of management support are keeping turnover rates elevated from pre-pandemic levels. In the last five years, hospitals have turned over 105% of their staff. Since 2019, demand for healthcare services has increased 30% while labor has increased merely 1.7%. The persistent staffing shortfall and vacancies are often filled by new graduates, further creating a skills gap.
- These staffing shortages have significant cost implications, driving labor costs for hospitals and other providers to unsustainable levels. While labor's share of total hospital expenses has risen steadily over the last decade, these expenses increased by more than one-third during the height of the pandemic. Contract labor and high-cost temporary staffing during this period was a key driver for costs. Hospital providers are expected to seek higher reimbursement rates from payers to combat inflationary pressures on pricing. A shift towards total cost of care management by many health plans via initiatives like value-based care to better align payer and provider incentives acts as a cost deflator. Other efforts gaining traction for better cost containment include evolution of payment integrity solutions with more advanced digital analytics.
- Healthcare organizations are incorporating generative artificial intelligence tools to solve for labor issues whilst enhancing customer centered experiences. With physician demand outpacing supply, AI tools are being deployed for applications like digital imaging, disease modeling and prediction, and automating repetitive tasks. Optimized workflows and enhanced labor management outcomes gained from leveraging these tools also improves overall patient care and operational efficiencies.
- Private equity (PE) participants are fueling M&A trends in healthcare. After a record-breaking year for healthcare deals in 2021 and a normalization in 2022, 2023 is on track to sustain transaction volumes similar to 2022. Private equity's focus on building out existing platforms with smaller and convenient add-ons, especially in outpatient service settings outside of hospitals, are expected to drive investment interest.












Recent Stock Price Performance – Amherst Healthcare Indices



Source: Capital IQ
 Healthcare Universe – **Alternate Site/Outpatient:** ACHC, CCM, DR, DVA, EHC, FME, BACK, JYNT, RDNT, SEM, SGRY, USPH;
Home Health/Hospice: ADUS, AMED, CHE; **Long-Term Care:** BKD, FVE, ENSG; **Managed Care:** ANTM, CI, HUM, UNH, CNC, MOH, GTS; **Healthcare Information Technology:** MDRX, CSLT, CPSI, EVH, HQY, HSTM, IQV, MODN, MTBC, NRC, NXGN, OMCL, RCM, TRHC, TDOC, VEEV, VCRA

Public Market Trading Multiples

Healthcare Industry Update | October 2023

(\$ in millions, other than stock price)		9/30/2023	Quarterly	Market	Total	LTM		Gross	EBITDA	Net Debt /	Enterprise Value / LTM	
Company		Stock Price	Price Δ	Cap.	EV ⁽¹⁾	Revenue	EBITDA	Margin	Margin	EBITDA	Revenue	EBITDA
 Acadia Healthcare Company		\$70.31	(12%)	\$6,481	\$7,994	\$2,778	\$596	42%	21%	2.2x	2.9x	13.4x
 Concord Medical Services		1.28	(7%)	56	1,018	84	-49	(17%)	NM	NM	NM	NM
 DaVita		94.53	(6%)	8,628	21,378	11,739	2,010	29%	17%	4.1x	1.8x	10.6x
 Encompass Health Corporation		67.16	(1%)	6,731	10,134	4,574	953	41%	21%	2.8x	2.2x	10.6x
 Fresenius Medical Care		42.92	(7%)	12,594	26,368	20,623	2,486	27%	12%	3.8x	1.3x	10.6x
 Medical Facilities Corporation		6.88	14%	\$172	\$300	\$440	\$73	36%	16%	1.2x	0.7x	4.1x
 RadNet		28.19	(14%)	1,911	3,274	1,528	188	20%	12%	3.9x	2.1x	17.4x
 Select Medical Holdings		25.27	(21%)	3,213	8,365	6,489	681	19%	10%	4.6x	1.3x	12.3x
 Surgery Partners		29.25	(35%)	3,671	7,687	2,662	498	23%	19%	4.7x	2.9x	15.4x
 The Joint Corp.		8.99	(33%)	133	147	112	10	91%	9%	0.9x	1.3x	14.6x
 U.S. Physical Therapy		91.73	(24%)	1,375	1,639	575	83	20%	14%	0.8x	2.8x	19.8x
Median								25%	14%	3.3x	1.8x	12.8x

Alternate Site/Outpatient





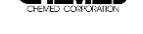






Source: Capital IQ

(1) EV ("Enterprise Value") is defined as market capitalization plus net debt, preferred equity, and minority interest.

(2) Medians exclude all non-meaningful values.

Public Market Trading Multiples (cont'd)

Healthcare Industry Update | October 2023

(\$ in millions, other than stock price)		9/30/2023	Quarterly	Market	Total	LTM		Gross	EBITDA	Net Debt /	Enterprise Value / LTM	
Company		Stock Price	Price Δ	Cap.	EV ⁽¹⁾	Revenue	EBITDA	Margin	Margin	EBITDA	Revenue	EBITDA
Long-Term Care	 Brookdale Senior Living	\$4.14	(2%)	\$779	\$5,236	\$2,890	\$300	27%	10%	9.2x	1.8x	17.4x
	 The Ensign Group	92.93	(3%)	5,180	6,633	3,388	369	17%	11%	2.6x	2.0x	18.0x
Median								22%	11%	5.9x	1.9x	17.7x
Home Health/Hospice	 Addus HomeCare Corporation	\$85.19	(8%)	\$1,363	\$1,412	\$999	\$96	31%	10%	0.5x	1.4x	14.8x
	 Amedisys	93.40	2%	3,048	3,493	2,229	191	21%	9%	1.6x	1.6x	18.3x
	 Chemed Corporation	519.70	(4%)	7,802	7,783	2,187	362	34%	17%	NM	3.6x	21.5x
Median								31%	10%	1.0x	1.6x	18.3x
Managed Care	 Centene Corporation	\$68.88	2%	\$37,297	\$41,596	\$138,273	\$6,315	17%	5%	0.6x	0.3x	6.6x
	 Cigna Corporation	286.07	2%	84,671	107,900	186,021	9,860	13%	5%	2.3x	0.6x	10.9x
	 Elevance Health	435.42	(2%)	102,606	118,741	165,716	10,618	26%	6%	1.5x	0.7x	11.2x
	 Humana	486.52	9%	60,283	56,327	98,727	5,161	18%	5%	NM	0.6x	10.9x
	 Molina Healthcare	327.89	9%	19,116	16,587	31,835	1,676	13%	5%	NM	0.5x	9.9x
	 UnitedHealth Group	504.19	5%	467,034	500,613	348,515	33,297	25%	10%	0.7x	1.4x	15.0x
Median								17%	5%	1.1x	0.6x	10.9x
















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Public Market Trading Multiples (cont'd)

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(\$ in millions, other than stock price)		9/30/2023	Quarterly	Market	Total	LTM		Gross	EBITDA	Net Debt /	Enterprise Value / LTM	
Company		Stock Price	Price Δ	Cap.	EV ⁽¹⁾	Revenue	EBITDA	Margin	Margin	EBITDA	Revenue	EBITDA
 Veradigm, Inc.		\$13.14	4%	\$1,436	\$1,162	\$1,529	\$115	51%	8%	NM	0.8x	10.1x
 CareCloud		1.15	(61%)	18	25	126	12	40%	10%	0.5x	0.2x	2.1x
 Computer Programs and Systems		15.94	(35%)	227	370	337	40	46%	12%	3.4x	1.1x	9.4x
 Evolut Health		27.23	(10%)	3,042	3,768	1,632	87	25%	5%	5.6x	2.3x	NM
 HealthEquity		73.05	16%	6,255	6,901	938	242	60%	26%	2.6x	7.4x	NM
 HealthStream		21.58	(12%)	662	628	274	33	66%	12%	NM	2.3x	19.0x
 IQVIA Holdings		196.75	(12%)	36,029	48,556	14,681	2,631	35%	18%	4.5x	3.3x	18.5x
 Model N		24.41	(31%)	938	931	244	(0)	56%	(0%)	NM	3.8x	NM
 National Research Corporation		44.37	2%	1,090	1,087	148	47	62%	32%	NM	7.3x	23.0x
 NextGen Healthcare		23.73	46%	1,592	1,648	678	56	51%	8%	1.0x	2.4x	NM
 Omnicell		45.04	(39%)	2,036	2,251	1,235	36	44%	3%	4.1x	1.8x	NM
 R1 RCM		15.07	(18%)	6,314	8,042	2,135	450	19%	21%	3.7x	3.8x	17.9x
 Tabula Rasa HealthCare		10.31	25%	279	558	338	(37)	24%	(11%)	NM	1.7x	NM
 Teladoc Health		18.59	(27%)	3,066	3,693	2,531	(4)	70%	(0%)	38.2x	1.5x	NM
 Veeva Systems		203.45	3%	32,685	28,875	2,232	426	71%	19%	NM	NM	NM
Median								51%	10%	3.7x	2.3x	17.9x

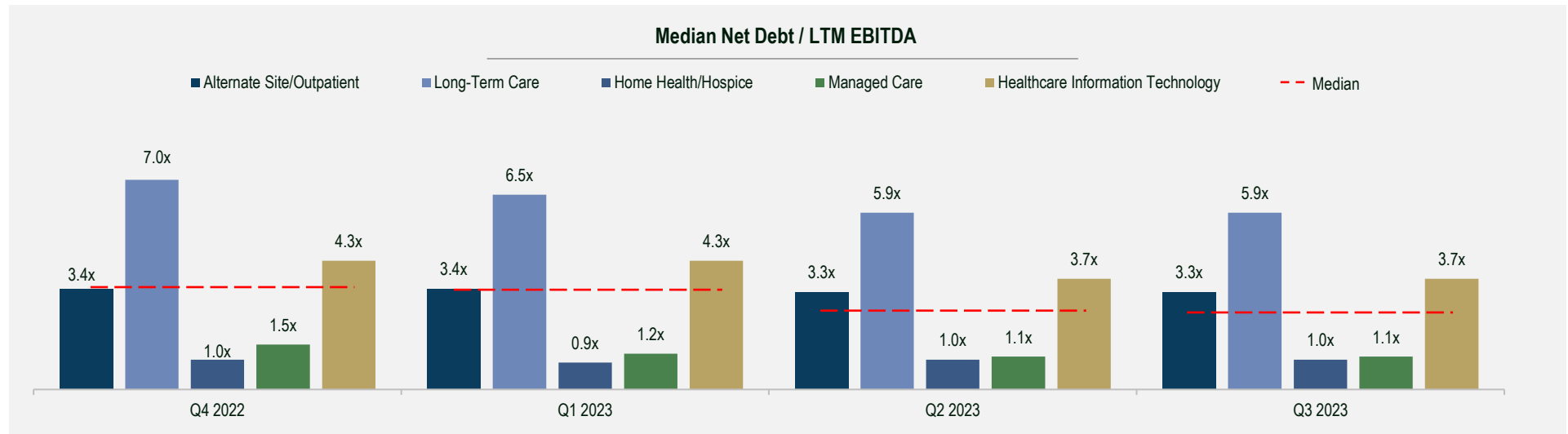
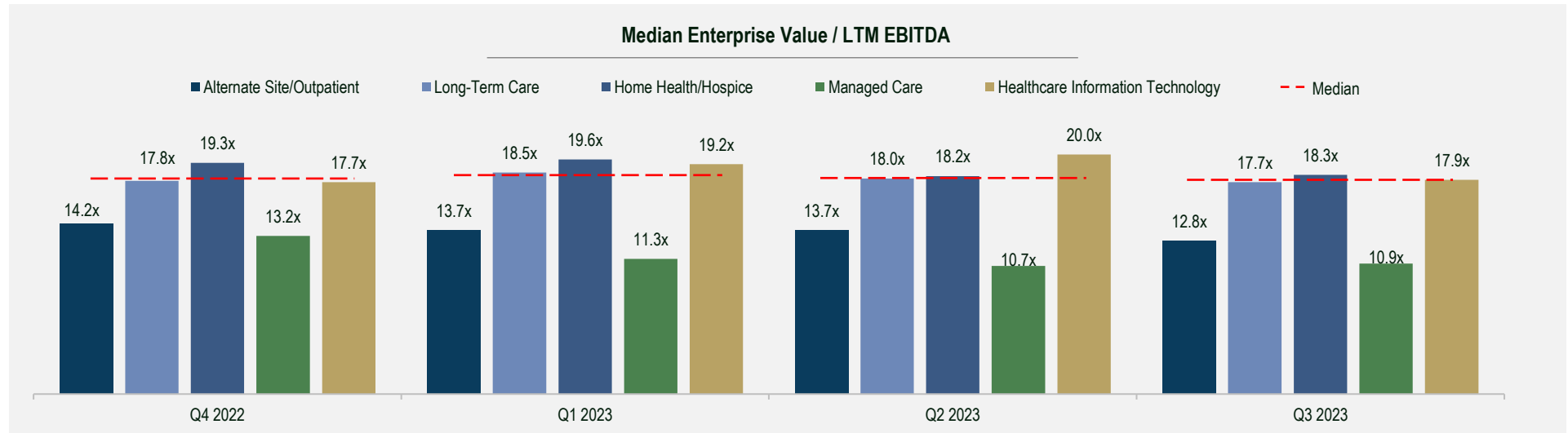
Source: Capital IQ

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(2) Medians exclude all non-meaningful values.

Valuation and Debt Multiples

Although some segments have witnessed fluctuations in multiples, valuation multiples have largely remained stable while debt multiple have slightly decreased over the last couple quarters



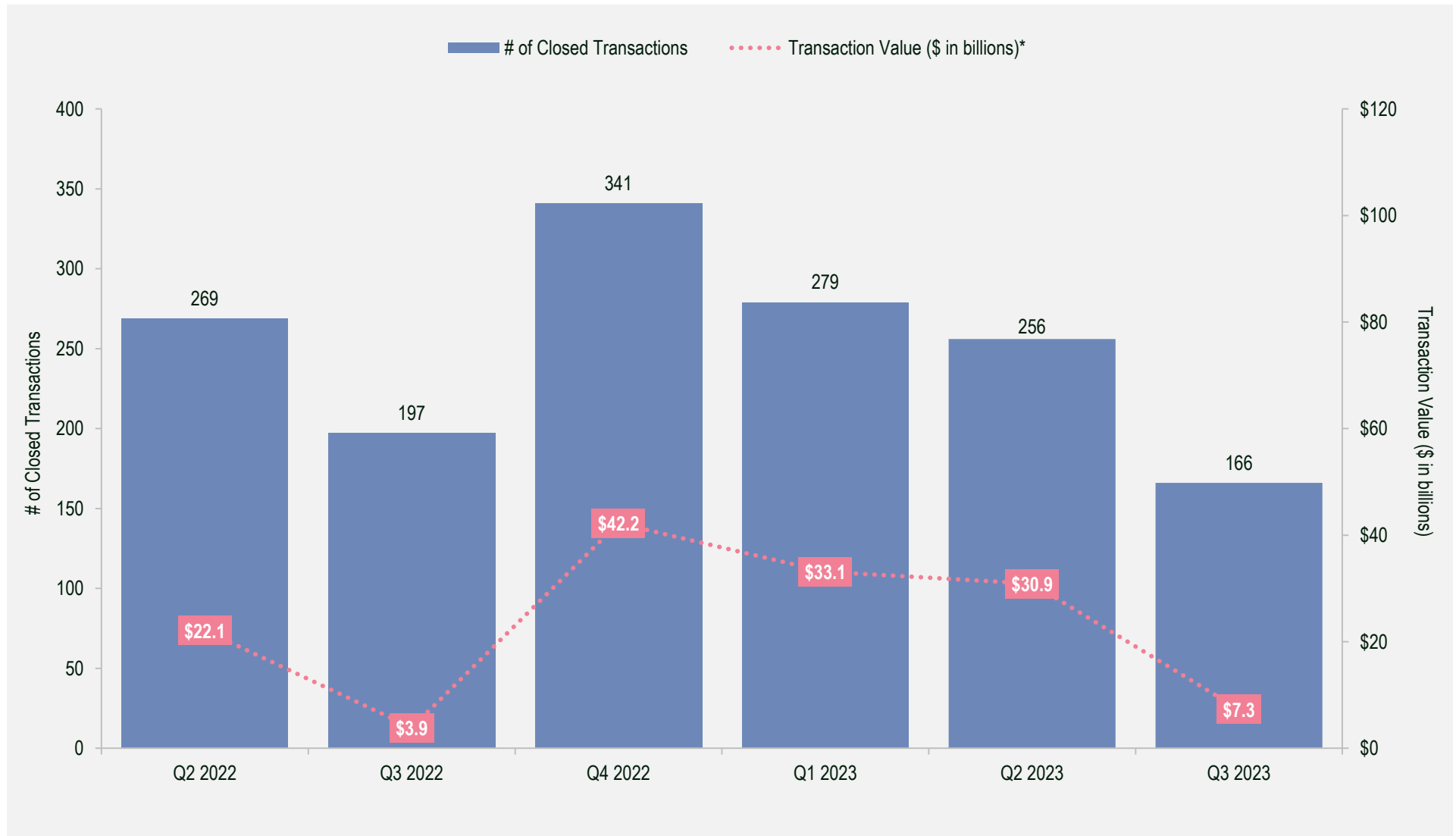
Source: Capital IQ

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(2) Median and mean values exclude all non-meaningful values.

U.S. M&A Activity

Both reported deal value and deal volume continued an overall steady decline in 2023, with 166 Healthcare reported deals in Q3 2023








Source: Capital IQ

*Transaction Value represents publicly announced deal terms

Recent Transaction Activity

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Date	Target	Acquiror	Enterprise Value (\$M)	Target Description
09/23	 UROTRONIC	 Laborie ¹ <small>FOR QUALITY. FOR LIFE.</small>	\$569	Develops and manufactures a urology device to treat urethral blockages
09/23	 eLum	 SINOmed <small>Innovation for Health</small>	\$28	Operates as a medical device company that focuses on technologies to address endovascular diseases
08/23	 apton	 PacBio	\$109	Develops cancer treatment monitoring and early cancer screening tests
09/23	 CMC	 NOVANT HEALTH	\$250	Owens and operates a not-for-profit hospital
08/23	 Nextech	 TPG	\$1,400	Designs and develops healthcare technology solutions for specialty providers
08/23	 Versanis	 Lilly	\$1,925	Develops therapeutics for obesity and cardiometabolic disease
07/23	 kerecis	 Coloplast	\$1,300	Manufactures, and markets fish skin and fatty-acid rich products for the regenerative medicine market
07/23	 REALM	 KONICA MINOLTA	\$957	Provides a health intelligence and visualization platform that offers novel sets of data from genes, proteins, cells, and tissues
06/23	 proteovant <small>THERAPEUTICS</small>	 SK biopharmaceuticals	\$79	Engages in the development of a robust pipeline of protein degraders that targets indications in oncology and immunology
06/23	 CHINOOK THERAPEUTICS	 NOVARTIS	\$3,185	Focuses on the discovery, development, and commercialization of precision medicines for kidney diseases
05/23	 HIGH PURITY NEW ENGLAND	 GETINGE	\$290	Develops and provides custom single-use solutions for bioprocessing applications
05/23	 xcti BIOPHARMA	 sobi <small>FOR STRENGTH</small>	\$1694	Focuses on the acquisition, development, and commercialization of novel targeted therapies for blood-related cancers
04/23	 Prometheus Biosciences	 MERCK	\$10,163	Engages in the discovery, development, and commercialization of novel therapeutics for the treatment of inflammatory bowel diseases
04/23	 FLEXBIOSYS	A REPLIGEN COMPANY	\$41	Manufactures single-use bioprocessing products
03/23	 SPECTRUM PHARMACEUTICALS	 ASSERTIO	\$264	Develops and commercializes oncology drug products
03/23	 Diversey	 SOLENIS <small>Strong. Versatile. Trusted solutions.</small>	\$4516	Provides hygiene, infection prevention, and cleaning solutions
02/23	 HESKA	 ANTECH	\$1419	Manufactures and sells diagnostic and specialty products and solutions for veterinary practitioners
02/23	 Oak St Health	 CVS Health.	\$10,467	Provides healthcare services through its primary care centers

Source: Capital IQ

Amherst's Representative Healthcare Transactions

<p>Ontario Systems Muncie, IN</p>  <p>has been acquired by management and an investor group led by Oxford Financial Group, Ltd. Indianapolis, IN</p>  <p>AmherstPartners Acted as advisor to Oxford Financial Group, Ltd.</p>	<p>Equipment Maintenance Solutions, LLC Ferndale, MI</p>  <p>has been acquired by Avante Health Solutions Chicago, IL</p>  <p>AmherstPartners Acted as advisor to Equipment Maintenance Solutions, LLC</p>	<p>Arbor Associates Philadelphia, PA</p>  <p>has been acquired by eBenx, Inc. Plymouth, MN</p>  <p>AmherstPartners Acted as advisor to Arbor Associates</p>	<p>Ritzman Pharmacy Wadsworth, OH</p>  <p>has obtained senior debt financing from AloStar Bank of Commerce Birmingham, AL</p>  <p>AmherstPartners Acted as advisor to Ritzman Pharmacy</p>	<p>Ritzman Pharmacy Wadsworth, OH</p>  <p>has been acquired by CVS Pharmacy, Inc. Woonsocket, RI</p>  <p>AmherstPartners Acted as advisor to Ritzman Pharmacy</p>
<p>ProSolv Cardiovascular, Inc. Indianapolis, IN</p>  <p>has been acquired by Fujifilm Medical Systems USA, Inc. Woonsocket, RI A subsidiary of FUJIFILM Holdings Corporation (TSE:4901)</p>  <p>AmherstPartners Acted as advisor to ProSolv CardioVascular, Inc.</p>	<p>MMM Healthcare Inc. San Juan, Puerto Rico</p>  <p>has been acquired by The Straus Group New York, NY</p>  <p>AmherstPartners Acted as advisor to MMM Healthcare Inc.</p>	<p>Wright & Filippis, Inc. Rochester Hills, MI</p>  <p>has divested its Sleep Therapy, Respiratory and DME service lines to Lincare, Inc. Clearwater, FL</p>  <p>A subsidiary of Linde</p>  <p>AmherstPartners Acted as advisor to Wright & Filippis, Inc.</p>	<p>Roush Life Sciences Salem, NH</p>  <p>has been acquired by Foxx life Sciences Salem, NH</p>  <p>AmherstPartners Acted as advisor to Roush Life Sciences</p>	<p>Triumph Healthcare, LLC Houston, TX</p>  <p>has been acquired by TA Associates Boston, MA</p>  <p>AmherstPartners Acted as advisor to Triumph Healthcare</p>

(1) Transactions executed by Amherst professionals while employed at previous firms

Amherst's Representative Healthcare Transactions (cont'd)

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<p>VITAS Healthcare Corporation Miami, FL</p>  <p>has been acquired by</p> <p>Roto-Rooter, Inc. Cincinnati, OH</p>  <p>AmherstPartners Acted as advisor to VITAS Healthcare Corporation</p>	<p>Acute Care Pharmaceuticals San Diego, CA</p>  <p>has been acquired by</p> <p>PNC Riverarch Capital Pittsburgh, PA</p>  <p>AmherstPartners Acted as advisor to Acute Care Pharmaceuticals</p>	<p>Brandywine Senior Living, LLC Mount Laurel, NJ</p>  <p>has been acquired by</p> <p>Warburg Pincus LLC New York, NY</p> <p>WARBURG PINCUS</p> <p>AmherstPartners Acted as advisor to Brandywine Senior Living, LLC</p>	<p>Renex Corp. Cora Gables, FL</p>  <p>has been acquired by</p> <p>National Nephrology Associates Inc. Nashville, KY</p> <p>National Nephrology Associates</p> <p>AmherstPartners Acted as advisor to Renex Corp.</p>	<p>Mectra Labs Bloomfield, IN</p>  <p>has been acquired by</p> <p>Key Surgical Eden Prairie, MN</p>  <p>AmherstPartners Acted as advisor to Mectra Labs</p>
<p>Commonwealth Communities, LLC Stoughton, MA</p> <p>has been acquired by</p> <p>Kindred Healthcare, Inc. Louisville, KY</p>  <p>AmherstPartners Acted as advisor to Commonwealth Communities, LLC</p>	<p>Brandywine Senior Living, LLC Mount Lauren, NJ</p>  <p>has been acquired by</p> <p>Retirement Residences REIT Toledo, OH</p>  <p>AmherstPartners Acted as advisor to Commonwealth Communities, LLC</p>	<p>Medical Analysis Systems, Inc Camarillo, CA</p>  <p>has been acquired by</p> <p>The Control Division of Dade Behring Deerfield, IL</p> <p>DADE BEHRING</p> <p>AmherstPartners Acted as advisor to Medical Analysis Systems, Inc.</p>	<p>UroQuest Medical Corporation Menlo Park, CA</p>  <p>has been acquired by</p> <p>Chemfab Merrimack, NH</p>  <p>AmherstPartners Acted as advisor to UroQuest Medical Corporation</p>	<p>Wellstone Retirement Communities Miami, FL</p> <p>has been acquired by</p> <p>Senior Lifestyle Corporation Chicago, IL</p>  <p>AmherstPartners Acted as advisor to Wellstone Retirement Communities</p>

(1) Transactions executed by Amherst professionals while employed at previous firms

The Amherst Partners Team

With a track record spanning over 25 years, Amherst Partners is a boutique investment banking firm focused on providing M&A advisory and capital raising services primarily for closely-held businesses

Boutique investment bank with significant Wall Street experience



Giuliani Capital Advisors



The Hackett Group

J.P.Morgan



MACQUARIE



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Core Execution Team



Charles Chandler
Partner



Donald Luciani
Partner



Fahad Siddiqui
Director



John Wendzinski
Senior Associate



Sam Jabara
Associate



Emily Pachla
Controller

Operations Advisory



Jon B. Cotton
CEO, Apex Health, Former President,
Meridian Health Plan of Michigan



Ray Dallavecchia, Jr.
Owner, Venetian Associates



S. Evan Weiner
President/CEO, Edw. C. Levy Co.

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EXPERIENCE | SOLUTIONS | RESULTS



KEY CONTACT INFORMATION

Don Luciani, *Partner and Investment Banking Practice Leader*
(248) 633-2139
dluciani@amherstpartners.com

Chas Chandler, *Partner*
(248) 633-2140
chandler@amherstpartners.com

Fahad Siddiqui, *Director*
(248) 633-2053
fsiddiqui@amherstpartners.com

John Wendzinski, *Senior Associate*
(248) 633-2057
jwendzinski@amherstpartners.com

Sam Jabara, *Associate*
(248) 633-2063
sjabara@amherstpartners.com

AMHERST PARTNERS, LLC
255 East Brown Street, Suite 120
Birmingham, MI 48009, U.S.A.
Telephone: (248) 642-5660
Facsimile: (248) 642-9247

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