

# HEALTHCARE *IQ*

**AmherstPartners**

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

OCTOBER 2024

# Recent Market Observations

Healthcare Industry Update | October 2024

In today's economic climate, consumers are facing rising healthcare costs driven by factors such as skyrocketing prescription drug prices, persistent inflation, increased demand for behavioral health services, and higher out-of-pocket expenses. This has contributed to a growing medical debt burden in the U.S., now totaling approximately \$220 billion. The recent Medicaid unwinding of the continuous enrollment condition authorized during the COVID-19 public health emergency has further exacerbated the issue. In response, many who lost Medicaid eligibility have sought coverage through the Affordable Care Act (ACA), with 21.4 million enrollees this year – an increase of 5 million from 2023, largely due to the availability of temporary subsidies for many low-income individuals and families. However, uncertainty looms as these subsidies are set to expire next year, potentially causing medical plan costs to surge for millions of enrollees.

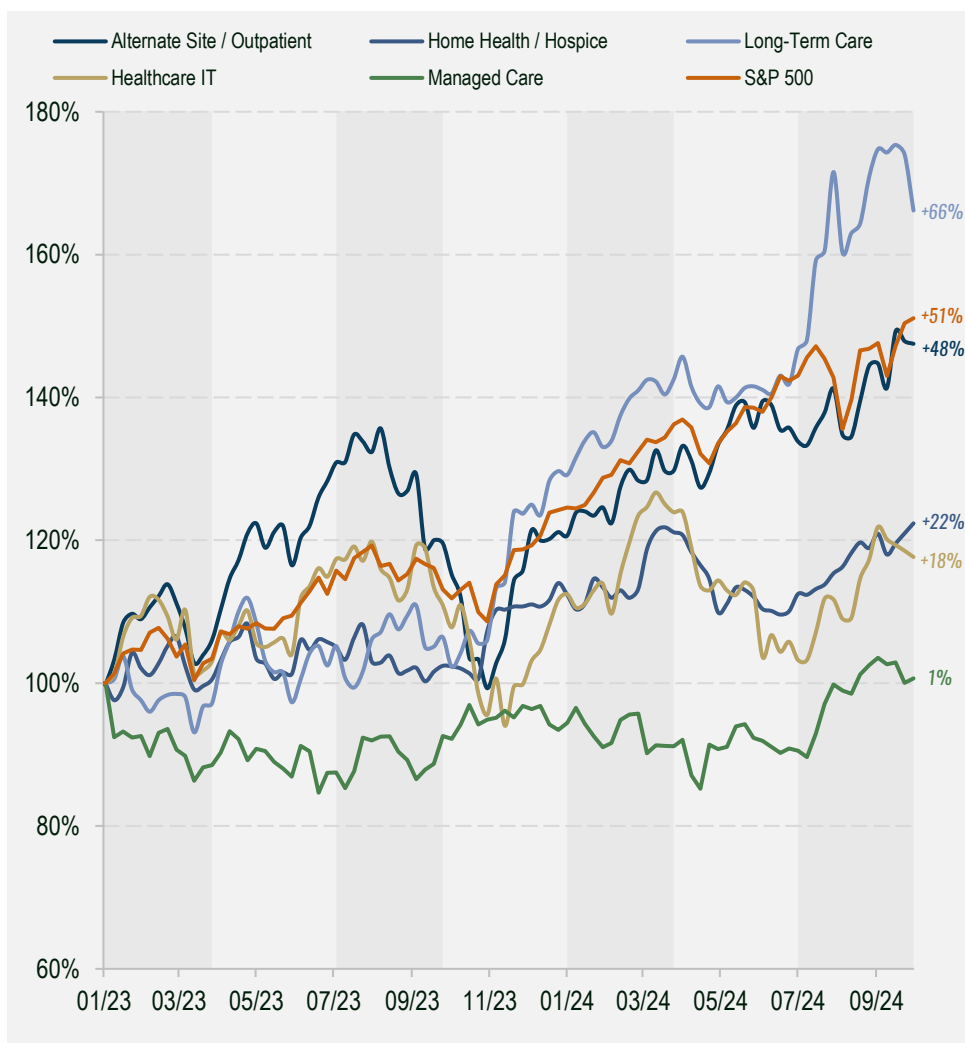
Private insurers are increasingly facing declining profitability, in large part due to rising utilization of Medicare Advantage plans. To protect their margins, payers are adjusting their 2025 bids and may reduce Medicare Advantage benefits. They are also expanding ACA offerings due to record enrollment and investing in technology to improve operational efficiency, potentially saving \$80 to \$110 billion over the next five years. Likewise, the expansion of Medicaid under the ACA is alleviating some of the challenges linked to enrollment unwinding by granting access to essential health services for those within the federal poverty threshold. Additionally, the increasing minimum income eligibility criteria established by certain states is further mitigating the effects of Medicaid unwinding. The ongoing adoption of Medicaid under the ACA – exemplified by North Carolina and South Dakota's recent expansions – brings the total to 41 states participating in Medicaid expansion.

Meanwhile, healthcare providers generally experienced an improvement in their profitability in the first half of the 2024. The median profit margin reached 4.2% in July, up from 1.3% in July 2023 and (0.98%) in July 2022, driven by a 9% increase in outpatient and an 8% increase in inpatient revenue compared to last year, which helped offset rising costs. Additionally, the labor market is showing early signs of stabilization, with average wages growing 3.4% year-over-year in July, more in line with inflation and wage trends in other sectors. As patient volumes grow and labor conditions improve, hospitals are expected to report even stronger margins in the latter half of the year.

As for the M&A environment, large healthcare organizations are facing challenges with recent investments in primary care. Walgreens is reducing its stake in VillageMD and will no longer be the majority owner, as it shifts away from investing in brick-and-mortar primary care practices. Similarly, Walmart has announced plans to close its Walmart Health unit, including all 51 health centers.

Source: Fitch Ratings, KFF, Healthcare Dive, Bain, Forbes, McKinsey, PWC

## Recent Stock Price Performance – Amherst Healthcare Indices














Source: Capital IQ

Healthcare Universe – **Alternate Site/Outpatient:** ACHC, CCM, DR, DVA, EHC, FME, JYNT, RDNT, SEM, SGRY, USPH;  
**Home Health/Hospice:** ADUS, AMED, CHE; **Long-Term Care:** BKD, ENSG; **Managed Care:** CNC, CI, ELV, HUM, MOH, UNH;  
**Healthcare Information Technology:** CCLD, EVH, HQY, HSTM, IQV, NRC, OMCL, RCM, TDOC, TBRG, VEEV

# Public Market Trading Multiples

Healthcare Industry Update | October 2024

(\$ in millions, other than stock price)			9/30/2024	Quarterly	Market	Total	LTM		Gross	EBITDA	Net Debt /	Enterprise Value / LTM	
Company			Stock Price	Price Δ	Cap.	EV <sup>(1)</sup>	Revenue	EBITDA	Margin	Margin	EBITDA	Revenue	EBITDA
Alternate Site / Outpatient		Acadia Healthcare Company	\$63.41	(4%)	\$5,889	\$7,897	\$3,057	\$672	43%	22%	2.6x	2.6x	11.7x
		Concord Medical Services	7.01	(34%)	30	1,035	65	(45)	(17%)	(70%)	NM	NM	NM
		DaVita	163.93	18%	13,754	26,784	12,524	2,596	33%	21%	3.4x	2.1x	10.3x
		Encompass Health Corporation	96.64	13%	9,724	13,206	5,071	1,073	41%	21%	2.5x	2.6x	12.3x
		Fresenius Medical Care	42.59	11%	12,498	25,820	20,803	2,577	25%	12%	3.4x	1.2x	10.0x
		Medical Facilities Corporation	9.99	9%	237	355	442	83	37%	19%	0.9x	0.8x	4.3x
		RadNet	69.39	17%	5,132	6,320	1,714	242	22%	14%	2.7x	3.7x	NM
		Select Medical Holdings	34.87	(4%)	4,534	9,724	6,873	810	20%	12%	4.1x	1.4x	12.0x
		Surgery Partners	32.24	36%	4,075	8,930	2,889	576	24%	20%	4.8x	3.1x	15.5x
		The Joint Corp.	11.44	(15%)	172	168	120	8	91%	6%	NM	1.4x	21.8x
		U.S. Physical Therapy	84.63	(8%)	1,276	1,604	621	83	19%	13%	1.1x	2.6x	19.3x
<b>Median</b>									<b>25%</b>	<b>14%</b>	<b>2.7x</b>	<b>2.4x</b>	<b>12.0x</b>












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 2024

(\$ in millions, other than stock price)		9/30/2024	Quarterly	Market	Total	LTM		Gross	EBITDA	Net Debt /	Enterprise Value / LTM	
Company		Stock Price	Price Δ	Cap.	EV <sup>(1)</sup>	Revenue	EBITDA	Margin	Margin	EBITDA	Revenue	EBITDA
Long-Term Care	 Brookdale Senior Living	\$6.79	(7%)	\$1,339	\$5,706	\$2,921	\$398	27%	14%	7.1x	2.0x	14.3x
	 The Ensign Group	143.82	14%	8,155	9,616	3,968	347	16%	9%	2.5x	2.4x	NM
	<b>Median</b>							<b>21%</b>	<b>11%</b>	<b>4.8x</b>	<b>2.2x</b>	<b>14.3x</b>
Home Health / Hospice	 Addus HomeCare Corporation	\$133.03	14%	\$2,381	\$2,257	\$1,115	\$121	33%	11%	NM	2.0x	18.7x
	 Amedisys	96.51	(0%)	3,160	3,538	2,290	234	44%	10%	1.2x	1.5x	15.1x
	 Chemed Corporation	600.97	11%	9,012	8,935	2,336	424	36%	18%	NM	3.8x	21.1x
	<b>Median</b>							<b>36%</b>	<b>11%</b>	<b>1.2x</b>	<b>2.0x</b>	<b>18.7x</b>
Managed Care	 Centene Corporation	\$75.28	14%	\$39,600	\$39,729	\$144,064	\$6,279	15%	4%	0.0x	0.3x	6.3x
	 Cigna Corporation	346.44	6%	96,847	122,859	216,008	9,377	11%	4%	2.7x	0.6x	13.1x
	 Elevance Health	520.00	(3%)	120,581	144,576	171,719	11,378	28%	7%	2.1x	0.8x	12.7x
	 Humana	316.74	(15%)	38,136	45,962	112,036	4,262	15%	4%	1.7x	0.4x	10.8x
	 Molina Healthcare	344.56	18%	20,191	18,221	36,084	1,701	13%	5%	NM	0.5x	10.7x
	 UnitedHealth Group	584.68	17%	539,904	598,591	385,439	34,819	23%	9%	1.3x	1.6x	17.2x
	<b>Median</b>							<b>15%</b>	<b>5%</b>	<b>1.7x</b>	<b>0.5x</b>	<b>11.7x</b>

Source: Capital IQ












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# Public Market Trading Multiples (cont'd)

Healthcare Industry Update | October 2024

(\$ in millions, other than stock price)		9/30/2024	Quarterly	Market	Total	LTM		Gross	EBITDA	Net Debt /	Enterprise Value / LTM	
Company		Stock Price	Price Δ	Cap.	EV <sup>(1)</sup>	Revenue	EBITDA	Margin	Margin	EBITDA	Revenue	EBITDA
Healthcare Information Technology	 CareCloud	\$2.64	15%	\$43	\$49	\$112	\$9	41%	8%	0.6x	0.4x	5.7x
	 Evolent Health	28.28	47%	3,245	3,964	2,354	136	19%	6%	3.5x	1.7x	NM
	 HealthEquity	81.85	(5%)	7,148	7,978	1,099	337	65%	31%	2.4x	7.3x	23.6x
	 HealthStream	28.84	4%	877	813	285	39	66%	14%	NM	2.8x	20.9x
	 IQVIA Holdings	236.97	14%	43,200	55,115	15,155	2,779	35%	18%	4.1x	3.6x	19.8x
	 National Research Corporation	22.86	(0%)	546	588	146	45	62%	31%	0.9x	4.0x	13.0x
	 Omnicell	43.60	67%	2,005	2,064	1,080	23	42%	2%	1.8x	1.9x	NM
	 R1 RCM	14.17	30%	5,981	8,178	2,380	555	20%	23%	3.9x	3.4x	14.7x
	 Teladoc Health, Inc.	9.18	(2%)	1,572	1,998	2,609	66	71%	3%	5.3x	0.8x	NM
	 TruBridge, Inc.	11.96	13%	171	348	337	8	49%	2%	18.6x	1.0x	NM
	 Veeva Systems Inc.	209.87	15%	33,985	29,154	2,574	627	73%	24%	NM	NM	NM
<b>Median</b>								<b>49%</b>	<b>14%</b>	<b>3.5x</b>	<b>2.4x</b>	<b>17.3x</b>

Source: Capital IQ

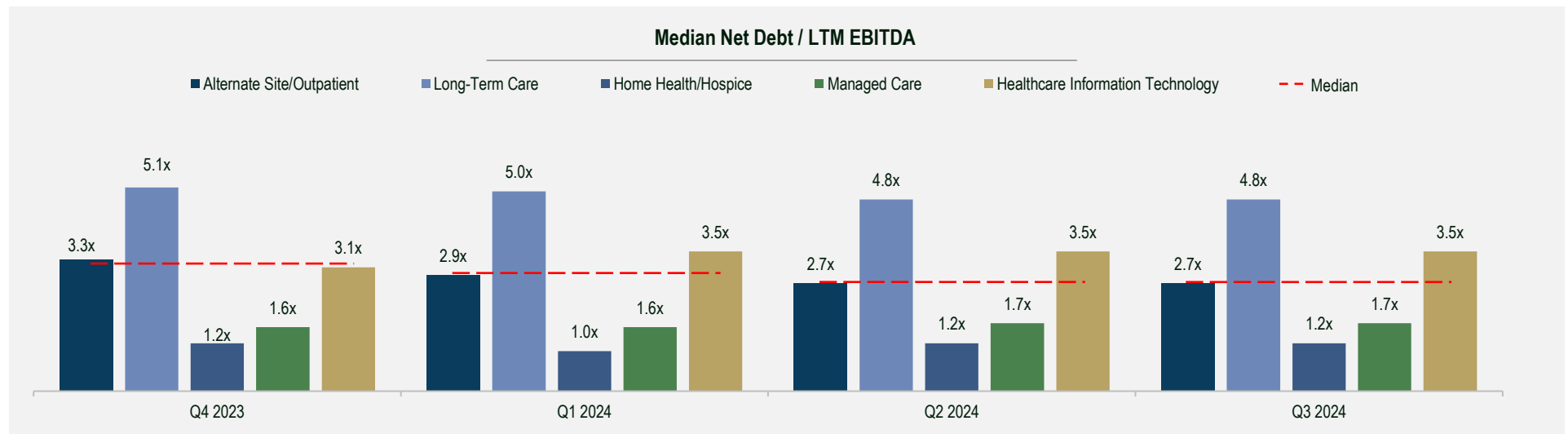
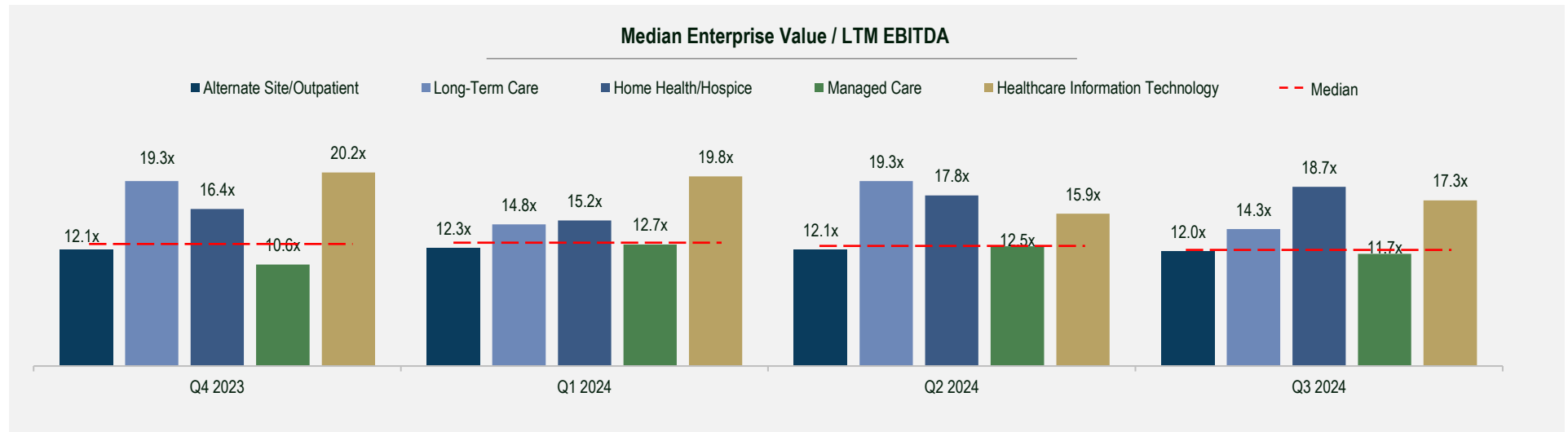
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# Valuation and Debt Multiples

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*Valuation and debt levels have remained relatively stable over the past four quarters, with Home Health/Hospice and Managed care being the only segments with improved valuation multiples*



Source: Capital IQ

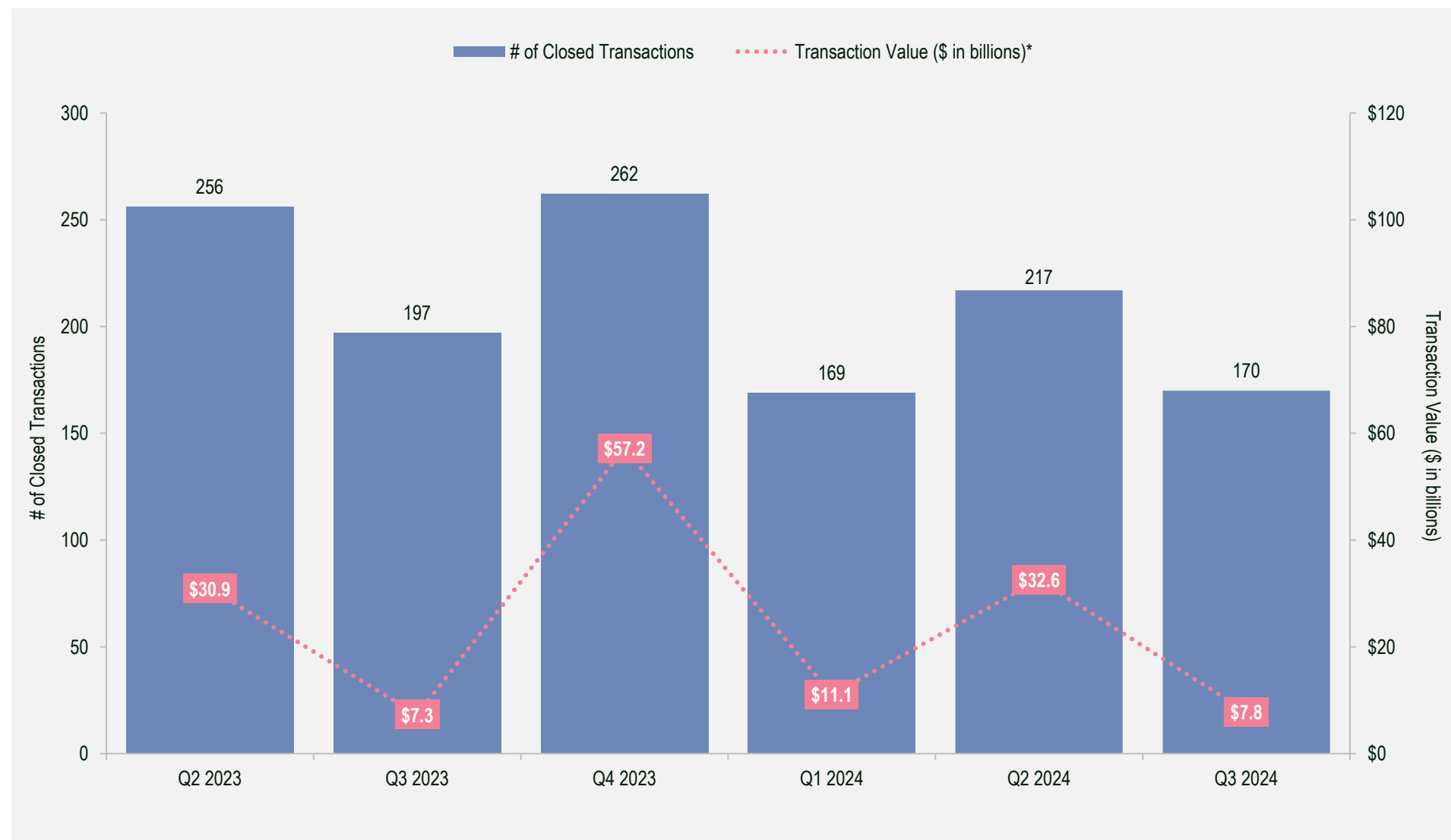
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(2) Median and mean values exclude all non-meaningful values.

# U.S. M&A Activity

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*Deal volume experienced a modest decline in Q3 2024 relative to Q3 2023, whereas deal value has stayed roughly stable over the same period*







































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
09/24	 spire	 Convexity	Undisclosed	Develops a health-tracking device and remote patient monitoring solutions
09/24	 THE DOULA NETWORK	 pomelo care	Undisclosed	Offers maternal and infant health services
09/24	 gri	 winner	\$120.0	Contract manufacturer focusing on designing, development, manufacturing, sterilization, and distribution of products
09/24	 SubPop.Health	 MedeAnalytics	Undisclosed	Provides managed healthcare services
09/24	 CLINIGENCE HEALTH	 assurecare	Undisclosed	Offers analytics platform for healthcare organizations
08/24	 PARAGONIX	 GETINGE	\$477.0	Develops and manufactures organ preservation and transportation devices for customers in the United States
08/24	 R T RadTran	 EF ENERGY FUELS	\$22.5	Develops target alpha and radioimmune therapies for cancer treatments
08/24	 GIO THERAPEUTICS	 PHARMACOSMOS THERAPEUTICS	\$443.3	Engaged in the discovery, development, and commercialization of small molecule therapeutics
08/24	 nobl	 nrc HEALTH	\$7.0	Develops an hourly rounding platform for nurses, allowing nurses to anticipate and meet patient needs
08/24	 jmana Therapeutics	 Otsuka	\$1,125.0	Develops small-molecule therapies to treat phenylketonuria, immune-mediated diseases, and cancers
08/24	 obp	 CooperSurgical	\$100.0	A medical device company reinventing tools that surgeons rely on by integrating single-use LED lighting technology into its single-use devices
08/24	 CGM	 Bupa	\$5.1	A health care technology company that provides insurance-related services
07/24	 NERIO THERAPEUTICS	 Boehringer Ingelheim	\$1,300.0	Develops allosteric/uncompetitive phosphatase inhibitors for protein tyrosine phosphatases
07/24	 TRADE	 scienture	\$83.9	U.S. based health services information technology company
07/24	 VALINOR	 GRÜNENTHAL	\$250.0	Manufactures medication to treat constipation
07/24	 BridgeView	 ZenSar TECHNOLOGIES	\$25.0	Data aggregation platform that offers software, IT transformation, support, advisory consulting, and staff augmentation services to the Life Sciences industry
07/24	 MARBLE MEDICAL	 UFP TECHNOLOGIES	\$5.0	Provides custom development and manufacturing services to medical industry
07/24	 Fluent BioSciences	 illumina	\$85.0	A biotechnology company focused on single-cell technology

Source: Capital IQ



# Amherst's Representative Healthcare Transactions

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<p><b>Ontario Systems</b> Muncie, IN</p>  <p>has been acquired by management and an investor group led by Oxford Financial Group, Ltd. Indianapolis, IN</p>  <p><b>AmherstPartners</b> Acted as advisor to Oxford Financial Group, Ltd.</p>	<p><b>Equipment Maintenance Solutions, LLC</b> Ferndale, MI</p>  <p>has been acquired by Avante Health Solutions Chicago, IL</p>  <p><b>AmherstPartners</b> Acted as advisor to Equipment Maintenance Solutions, LLC</p>	<p><b>Arbor Associates</b> Philadelphia, PA</p>  <p>has been acquired by eBenx, Inc. Plymouth, MN</p>  <p><b>AmherstPartners</b> Acted as advisor to Arbor Associates</p>	<p><b>Ritzman Pharmacy</b> Wadsworth, OH</p>  <p>has obtained senior debt financing from AloStar Bank of Commerce Birmingham, AL</p>  <p><b>AmherstPartners</b> Acted as advisor to Ritzman Pharmacy</p>	<p><b>Ritzman Pharmacy</b> Wadsworth, OH</p>  <p>has been acquired by CVS Pharmacy, Inc. Woonsocket, RI</p>  <p><b>AmherstPartners</b> Acted as advisor to Ritzman Pharmacy</p>
<p><b>ProSolv Cardiovascular, Inc.</b> 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><b>AmherstPartners</b> Acted as advisor to ProSolv CardioVascular, Inc.</p>	<p><b>MMM Healthcare Inc.</b> San Juan, Puerto Rico</p>  <p>has been acquired by The Straus Group New York, NY</p>  <p><b>AmherstPartners</b> Acted as advisor to MMM Healthcare Inc.</p>	<p><b>Wright &amp; Filippis, Inc.</b> 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><b>AmherstPartners</b> Acted as advisor to Wright &amp; Filippis, Inc.</p>	<p><b>Roush Life Sciences</b> Salem, NH</p>  <p>has been acquired by Foxx life Sciences Salem, NH</p>  <p><b>AmherstPartners</b> Acted as advisor to Roush Life Sciences</p>	<p><b>Triumph Healthcare, LLC</b> Houston, TX</p>  <p>has been acquired by TA Associates Boston, MA</p>  <p><b>AmherstPartners</b> 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><b>VITAS Healthcare Corporation</b> Miami, FL</p> <p><b>VITAS Healthcare</b> has been acquired by</p> <p>Roto-Rooter, Inc. Cincinnati, OH</p> <p><b>ROTO-ROOTER</b></p> <p><b>AmherstPartners</b> Acted as advisor to VITAS Healthcare Corporation</p>	<p><b>Acute Care Pharmaceuticals</b> San Diego, CA</p> <p><b>Acute Care PHARMACEUTICALS</b></p> <p>has been acquired by</p> <p>PNC Riverarch Capital Pittsburgh, PA</p> <p><b>PNC RIVERARCH CAPITAL</b></p> <p><b>AmherstPartners</b> Acted as advisor to Acute Care Pharmaceuticals</p>	<p><b>Brandywine Senior Living, LLC</b> Mount Laurel, NJ</p> <p><b>BRANDYWINE LIVING</b> Life is Beautiful</p> <p>has been acquired by</p> <p>Warburg Pincus LLC New York, NY</p> <p><b>WARBURG PINCUS</b></p> <p><b>AmherstPartners</b> Acted as advisor to Brandywine Senior Living, LLC</p>	<p><b>Renex Corp.</b> Cora Gables, FL</p> <p><b>RENEX CORP.</b></p> <p>has been acquired by</p> <p>National Nephrology Associates Inc. Nashville, KY</p> <p><b>National Nephrology Associates</b></p> <p><b>AmherstPartners</b> Acted as advisor to Renex Corp.</p>	<p><b>Mectra Labs</b> Bloomfield, IN</p> <p><b>Mectra Labs Inc</b> Manufacturers of Medical Devices</p> <p>has been acquired by</p> <p>Key Surgical Eden Prairie, MN</p> <p><b>KEYSURGICAL</b></p> <p><b>AmherstPartners</b> Acted as advisor to Mectra Labs</p>
<p><b>Commonwealth Communities, LLC</b> Stoughton, MA</p> <p>has been acquired by</p> <p>Kindred Healthcare, Inc. Louisville, KY</p> <p><b>Kindred Healthcare</b></p> <p><b>AmherstPartners</b> Acted as advisor to Commonwealth Communities, LLC</p>	<p><b>Brandywine Senior Living, LLC</b> Mount Lauren, NJ</p> <p><b>BRANDYWINE LIVING</b> Life is Beautiful</p> <p>has been acquired by</p> <p>Retirement Residences REIT Toledo, OH</p> <p><b>RETIREMENT RESIDENCES</b> REAL ESTATE INVESTMENT TRUST</p> <p><b>AmherstPartners</b> Acted as advisor to Commonwealth Communities, LLC</p>	<p><b>Medical Analysis Systems, Inc</b> Camarillo, CA</p> <p><b>MEDICAL ANALYSIS SYSTEMS, INC.</b></p> <p>has been acquired by</p> <p>The Control Division of Dade Behring Deerfield, IL</p> <p><b>DADE BEHRING</b></p> <p><b>AmherstPartners</b> Acted as advisor to Medical Analysis Systems, Inc.</p>	<p><b>UroQuest Medical Corporation</b> Menlo Park, CA</p> <p><b>UroQuest</b></p> <p>has been acquired by</p> <p>Chemfab Merrimack, NH</p> <p><b>CHEMFAB</b></p> <p><b>AmherstPartners</b> Acted as advisor to UroQuest Medical Corporation</p>	<p><b>Wellstone Retirement Communities</b> Miami, FL</p> <p>has been acquired by</p> <p>Senior Lifestyle Corporation Chicago, IL</p> <p><b>SENIOR LIFESTYLE</b> your life, your style</p> <p><b>AmherstPartners</b> Acted as advisor to Wellstone Retirement Communities</p>

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

# The Amherst Partners Team

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*With a track record spanning 30 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 J.P.Morgan



Core Execution Team



**Donald Luciani**  
Partner



**Charles Chandler**  
Partner



**Fahad Siddiqui**  
Director



**John Wendzinski**  
Vice President



**Noah Moderwell**  
Analyst



**Emily Pachla**  
Controller



**Amber Dunn**  
Director of Marketing

Operations Advisory



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



**Ray Dallavecchia, Jr.**  
Owner, Venetian Associates



**Terry Robinson**  
Former Senior Vice President and Director  
of Middle Market Banking – Comerica Bank



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



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