



The More Things Change....

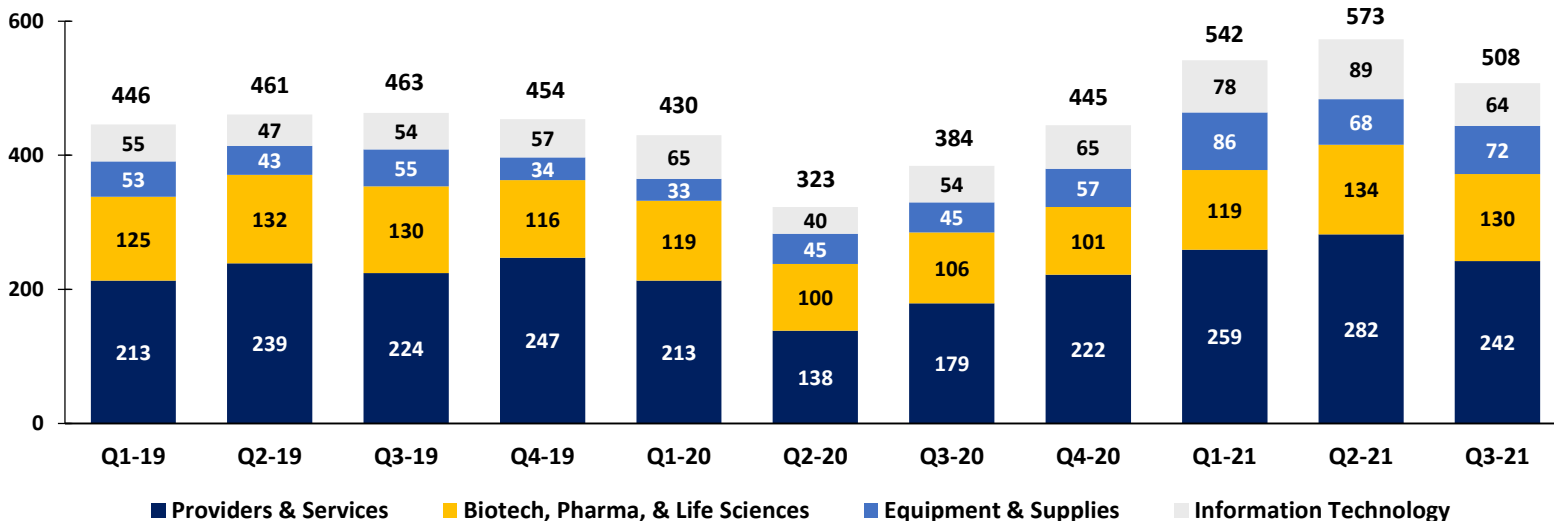
Perhaps you have heard the old adage, “the more things change, the more they stay the same.” Despite the upheaval caused by a once-in-a-century global pandemic, this appears to be the case with healthcare M&A. During the then-record year of 2019, healthcare deal activity averaged 152 transactions per month. Over the ensuing 21 months, there has been an average of...wait for it...152.6 transactions per month!

Only time will tell if the record pace for 2021 is merely a catch-up from the COVID dip of 2020 or a return to the long-term trend of increasing transaction activity; but we are betting on the latter. While concerns over capital gains rate increases have dissipated, the demographic tide of aging baby boomers, opportunities for technological improvement, and a still highly fragmented industry will assure vigorous M&A activity in all subsectors by both strategic and financial buyers for years to come.

The plurality of transaction activity in the healthcare industry during the last 12 months occurred in the Providers & Services sector (49%), followed by Biotech, Pharma, & Life Sciences (23%), Equipment & Supplies (14%), and Information Technology (14%). Within the broad Providers & Services sector, EdgePoint noted significant deal activity in the following sub-sectors that are profiled in the remainder of this report: Physician Practices, Home Health & Hospice, Behavioral Health, Long-Term Care, Rehabilitation, and Dental Practices. We have also profiled the Equipment & Supplies sector.

As illustrated on the final page of this report, public company valuation multiples have slipped back a bit, but remain strong. Valuations primarily reflect the performance of the underlying business, but absent another major market disruption, we expect them to remain high. In short, we are expecting a great 2022!

Healthcare Transactions by Sector, by Quarter



Source: CapIQ

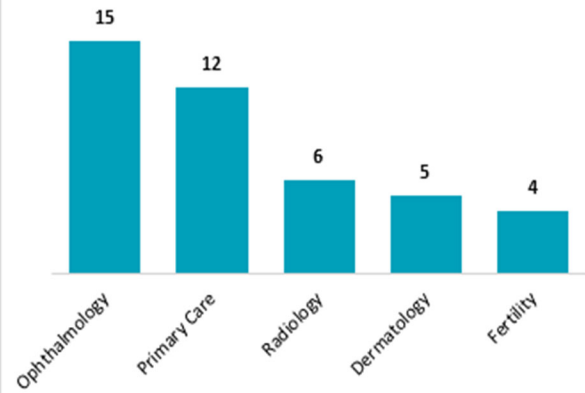
Physician Practices Sector Profile

The number of M&A transactions involving Physician Practices plummeted sharply in Spring 2020, but rebounded just as quickly, fully recovering by Q4 2020. Pent-up demand, expectations of increases in capital gains tax rates, and optimism surrounding the rollout of vaccines all contributed to a record 80 deals closing in Q1 2021. The pace of transactions has cooled a bit since then, but it appears to have returned to the pre-pandemic upward trendline. Not surprisingly, private equity-driven rollups in ophthalmology and health system acquisitions of primary care lead the way.

We expect physician practice transaction volume to remain strong, and perhaps even to accelerate, in 2022 as private equity drives consolidation in other specialties such as ENT, GI, and urology. Also keep your eye on the [plastic surgery/med spa market](#), as several platforms are about to emerge.

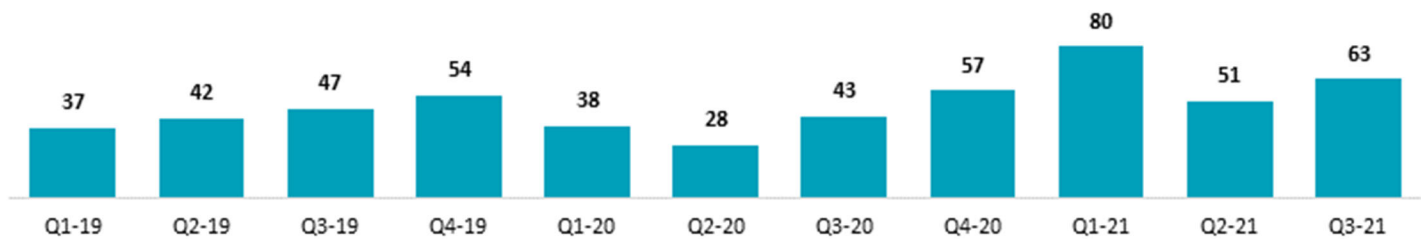
(Click [here](#) for our Plastic Surgery special report.)

Most Active Specialties (Q3 21)



Source: CapIQ

Quarterly Physician Practice Deals



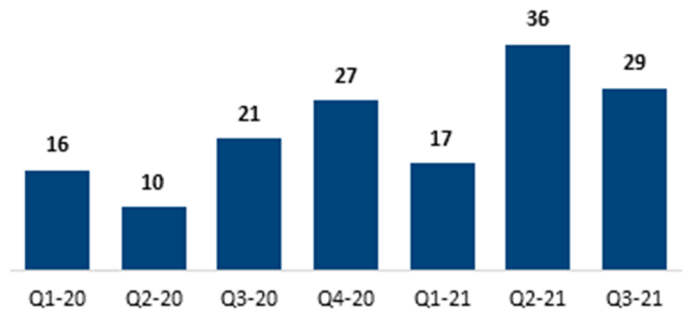
Notable Physician Practices Transactions

Date Closed	Buyer / Investor	Target	Description
08/03/2021	Ovation Fertility (Morgan Stanley)	Columbia Fertility Associates	Fertility Clinic
09/14/2021 08/17/2021 07/13/2021	Pinnacle Dermatology (Chicago Pacific Founders)	Chappell Rosso Derm. And Laser & Aesthetic Center Beckley Dermatology Elmhurst Dermatology	Dermatology Practices
07/20/2021 07/07/2021	RAYUS Radiology	Foundation Radiology Sand Lake Imaging / The Interventional Radiology / Radiology Research Institute	Radiology Practices
09/13/2021 08/04/2021 07/06/2021	Retina Consultants of America (BSC Capital Partners / Webster Equity Partners)	Rockland Retina, North Carolina Retina Associates Retinal Consultants of San Antonio	Ophthalmology Practices
08/26/2021 08/23/2021	Sight Growth Partners (Chicago Pacific Founders)	Fichman Eye Center/Laser and Vision Surgery Center Solomon C Luo MD PC/Betz Ophthalmology Associates	Ophthalmology Practices
08/03/2021 07/07/2021	U.S. Foot & Ankle Specialists, LLC (NMS Capital)	M & L Podiatry Family Foot and Ankle Center	Podiatry Practices
09/27/2021 09/16/2021 08/18/2021	Vision Innovation Partners (Centre Partners)	See Clearly Vision Group Ophthalmic Associates Northeastern Eye Institute	Ophthalmology Practices
09/28/2021 09/21/2021	Webster Equity Partners	Michael DiMattina, M.D. Institute for Human Reproduction (IHR)	Fertility Practices

Home Health & Hospice Sector Profile

Home Health public company valuation multiples have finally come down from their stratospheric heights, but they remain high relative to other sectors of healthcare (see our comparison on page 8). Investors continue to place a premium on services that lower the total cost of care, are well-positioned to benefit from the demographic tide of baby boomers hitting their 70s, and cater to patients seeking alternatives to a nursing home. We anticipate transaction volume will remain strong in 2022 as the long-term trend toward consolidation continues.

Home Health & Hospice Transaction Volume



Source: CapIQ

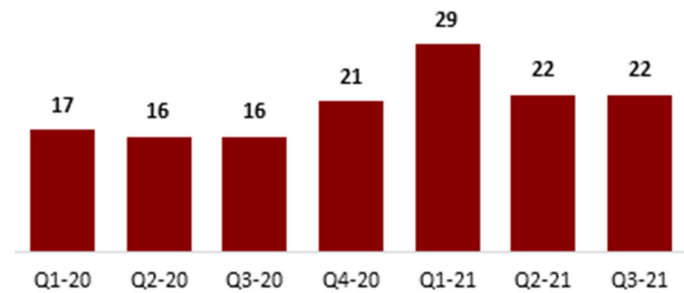
Notable Home Health & Hospice Transactions

Date Closed	Buyer / Investor	Target	Description
09/14/2021 09/14/2021 09/08/2021 07/01/2021 07/01/2021 07/01/2021	LHC Group (NASDAQ:LHCG)	Generations Home Health Hospice & Palliative Care of Tidewater Brookdale Healthcare Services Agencies MSA Hospice Cavalier Healthcare Services Community Care Health Agency	Homecare providers
08/05/2021 08/04/2021	Nova Leap Health Corp. (TSXV: NLH)	Home Care business located in Rhode Island Homecare services company located in Oklahoma	Private Duty Services providers

Behavioral Health Sector Profile

Behavioral Health continues to be an active sector for M&A, averaging nearly eight transactions each month over the last 12 months. Not surprisingly, considering the pandemic has only exacerbated the addiction epidemic, substance abuse treatment programs continue to be a focus of private equity investment. Clinics serving children with autism or developmental disabilities were also favored targets for acquisition. We expect this focus on higher-margin niche services to continue; however, we also expect to see more health systems acquire or partner with behavioral health clinics, given the importance of integrating behavioral health with medical care to maintain good community health at a reasonable cost.

Behavioral Health Transaction Volume



Source: CapIQ

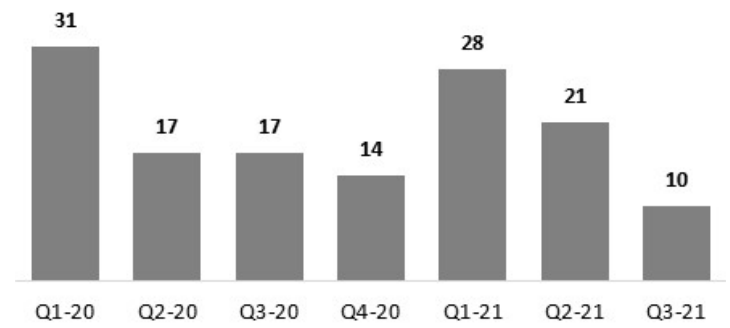
Notable Behavioral Health Transactions

Date Closed	Buyer / Investor	Target	Description
09/24/2021	Nautic Partners	Pyramid Healthcare/Twelve Oaks/Silvermist	Substance abuse treatment
08/17/2020	Patient Square Capital	Summit Behavioral Healthcare	Substance abuse treatment
08/16/2021	Autism Care Partners (Coppermine Capital)	Puddingstone Place	ABA treatment services
07/29/2021	BayMark Health Services (Webster Equity Partners)	Mt. Sinai Wellness Center	Substance abuse treatment
07/13/2021	Autism Care Partners (Coppermine Capital)	Autism Bridges	ABA treatment services

Long-Term Care Sector Profile

M&A transaction volume in the long-term care sector, which had been on the decline since early 2019, dropped precipitously in March and April 2020 as the tragic impact of COVID-19 on senior facilities filled media reports. An uptick during the first quarter of 2021 proved to be short lived, as deal volume slid back to its long-term downward trendline over the last two quarters. Most of these transactions were real-estate driven, rather than operators looking to acquire market share. We expect this to continue as the industry continues to struggle with low census even after a successful roll-out of vaccines.

Long-Term Care Transaction Volume



Source: CapIQ

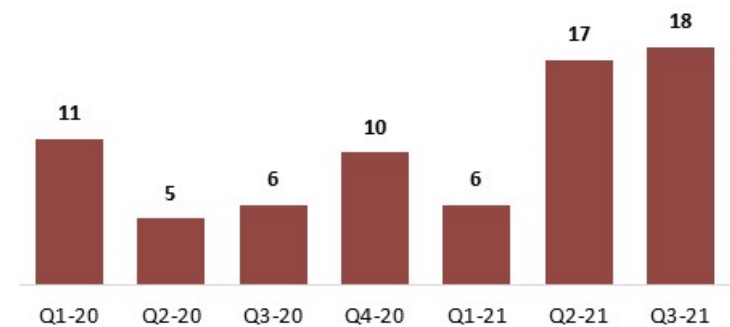
Notable Long-Term Care Transactions

Date Closed	Buyer / Investor	Target	Description
09/02/2021	Strawberry Fields REIT	Undisclosed	Six Nursing Facilities in Kentucky and Tennessee
08/19/2021	CenExel Clinical Research	Advanced Memory Research Institute of New Jersey	Comprehensive care for people with memory loss
08/02/2021	CareTrust REIT	Sedona Trace Health & Wellness Center and Cedar Pointe Health & Wellness Center	119-bed & 122-bed facilities
07/01/2021	CareRite Centers	CoralReef Subacute Care Center	Subacute and nursing care center

Rehabilitation Sector Profile

The M&A market for rehabilitation has experienced a resurgence in 2021, with more transactions completed over the past six months than in all of 2020. During the initial phase of the pandemic in spring 2020, and again when cases surged the following winter, physicians and patients deferred many non-urgent orthopedic surgeries, leading to significant reductions in rehab hospital admissions and physical therapy visits. Better treatments and less virulent strains of the virus have allowed for more steady surgical volume, stabilizing the industry, and allowing for a return of M&A activity, which we expect to continue in 2022.

Rehabilitation Transaction Volume



Source: CapIQ

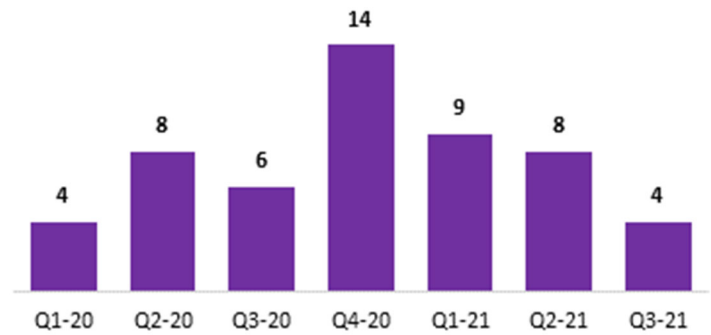
Notable Rehabilitation Transactions

Date Closed	Buyer / Investor	Target	Description
09/02/2021	Physical Rehabilitation Network	360 Physical Therapy	Physical therapy services; several locations in Arizona
08/23/2021	Concentra	Fox Occupational Medicine Center	Work injury care and physical therapy in California
08/11/2021	Spine & Sport Physical Therapy	Envision Sport PT	Physical therapy and orthopedic rehabilitation services
07/01/2021	U.S. Physical Therapy	Undisclosed	Eight clinic physical therapy practice

Dental Practices Sector Profile

Dental practice M&A activity has been historically bumpy, so we will not be surprised if Q4 2021 or Q1 2022 rebound strongly from the recent dip. Private equity-backed DSOs continue to drive transaction volume, capitalizing on the industry's still highly fragmented nature. This fragmentation level, combined with consumer spending on dental services, which is expected to grow at nearly 5% per year until 2025, creates a strong landscape for continued M&A activity in the dental sector. In particular, look for more activity in the orthodontic/oral surgery subsector.

Dental Practice Transaction Volume



Source: CapIQ

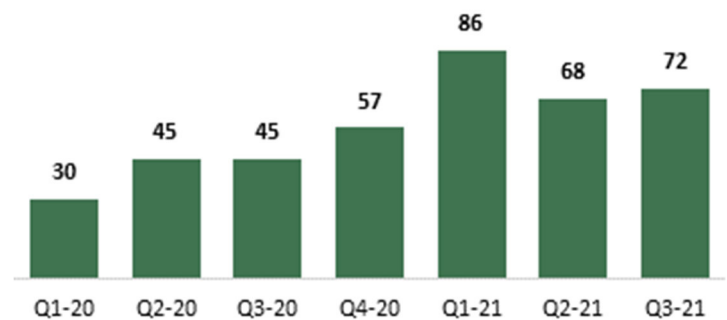
Notable Dental Practice Transactions

Date Closed	Buyer / Investor	Target	Description
09/14/2021	Cherry Tree Dental	Richard E. Paleski, DDS	General, implant, and cosmetic dentistry services
08/19/2021	Sage Dental Management	Contemporary Care Dentistry	Dental practice
07/20/2021	Onsite Dental	HENRY The Dentist, Inc.	Dental practice
07/19/2021	Simply Beautiful Smiles	Olin Dental Group	General and pediatric dentistry services

Equipment & Supplies Sector Profile

Companies involved in the manufacture and distribution of medical equipment and supplies accounted for more than one of every eight healthcare transactions over the past 12 months. Transaction volume in this sector rebounded more rapidly than other sectors, and it has been accelerating ever since. Public company valuation multiples also remain strong, reflecting continued robust demand for products despite significant disruption to the supply chain. We expect deal volume for this sector to continue its upward trend in 2022, and for valuations to remain high relative to other sectors.

Equipment & Supplies Transaction Volume



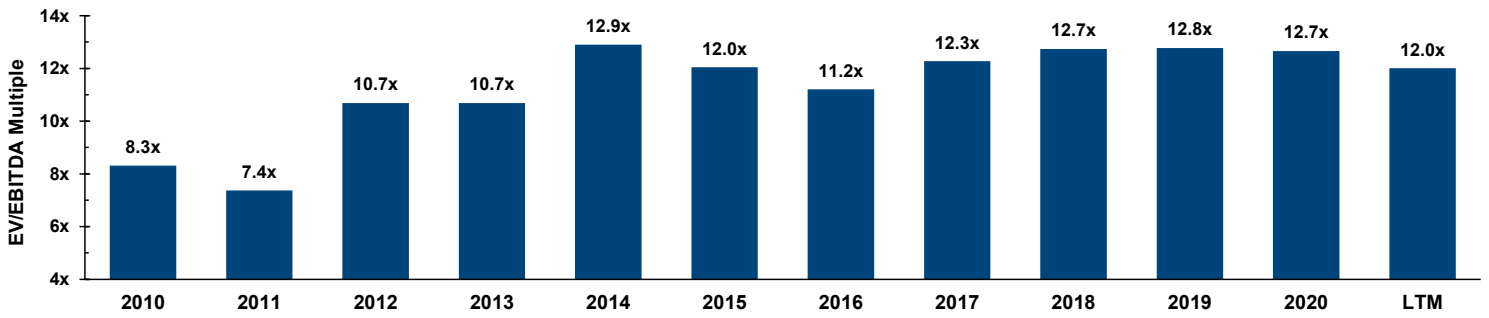
Source: CapIQ

Notable Equipment & Supplies Transactions

Date Closed	Buyer / Investor	Target	Description
09/23/2021	GE Healthcare	BK Medical Holding Company	Manufacturer of ultrasound imaging equipment
09/02/2021	Abbot Laboratories (NYSE:ABT)	Walk Vascular	Manufacturer of peripheral thrombectomy systems
07/20/2021	Bain Capital Private Equity	Parts Source	Biomedical replacement part supplier
07/07/2021	Gemspring Capital Mgmt.	Zavation Medical Products	Spinal implants, instruments, and biologics

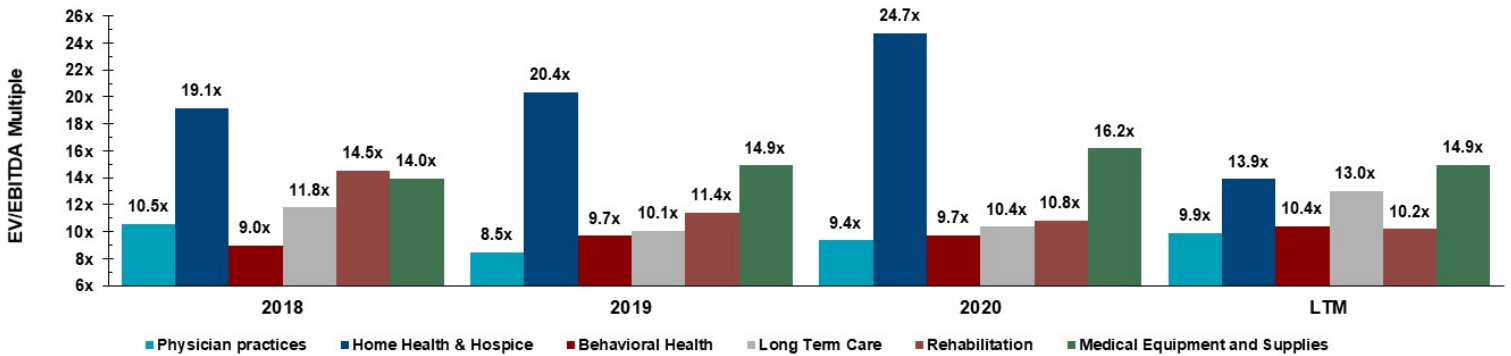
Public Company Comparisons Trading Multiples

Healthcare Industry Public Comparables: Annual EV/EBITDA Multiples



Source: CapIQ, public trading data as of September 30, 2021

Healthcare Sub-Sector Public EV/EBITDA Multiples



Source: CapIQ, public trading data as of September 30, 2021

Representative EdgePoint Healthcare Transactions

 has been acquired by 	 has been acquired by 	 has been acquired by 	 has been acquired by 	 has been acquired by
 has completed a capital raise	 has been acquired by An Undisclosed Private Company	 has acquired 	 has been acquired by A Private Equity Group	 has been acquired by



EdgePoint is an independent, advisory-focused, investment banking firm serving the middle market.

