



HEALTHCARE

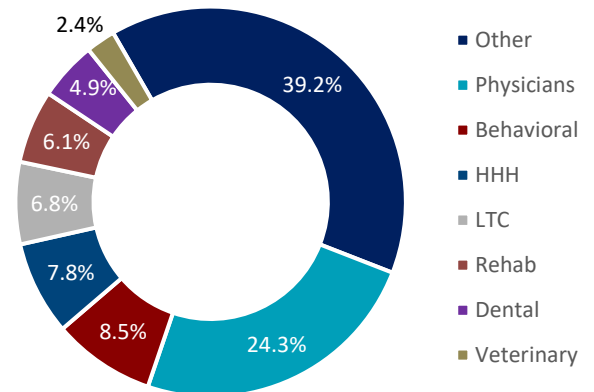
2022 ANNUAL REPORT

Sitting in Idle

Healthcare M&A transaction volume cooled off in 2022 after a record-breaking 2021, as a combination of high inflation, rising interest rates, and global uncertainty caused both buyers and sellers to be more cautious before striking a deal. As those headwinds continued, volume declined in the final three quarters of 2022 to a level not seen since early 2018, excluding the pandemic ravaged second quarter of 2020.

Slowing transaction volume across nearly all industries contributed to private equity and venture capital firms holding a record level of dry powder at the end of 2022 (\$1.96 trillion), up more than 20% from year-end 2021. Given the pressure to put that money to work, investors are still willing to pay premium values for high quality businesses. As illustrated on the final page of this report, valuation multiples for healthcare transactions remained steady in 2022 at 11.6x EBITDA. While valuations varied between sectors, the overall average was in line with the very robust 10-year average of 12.0x.

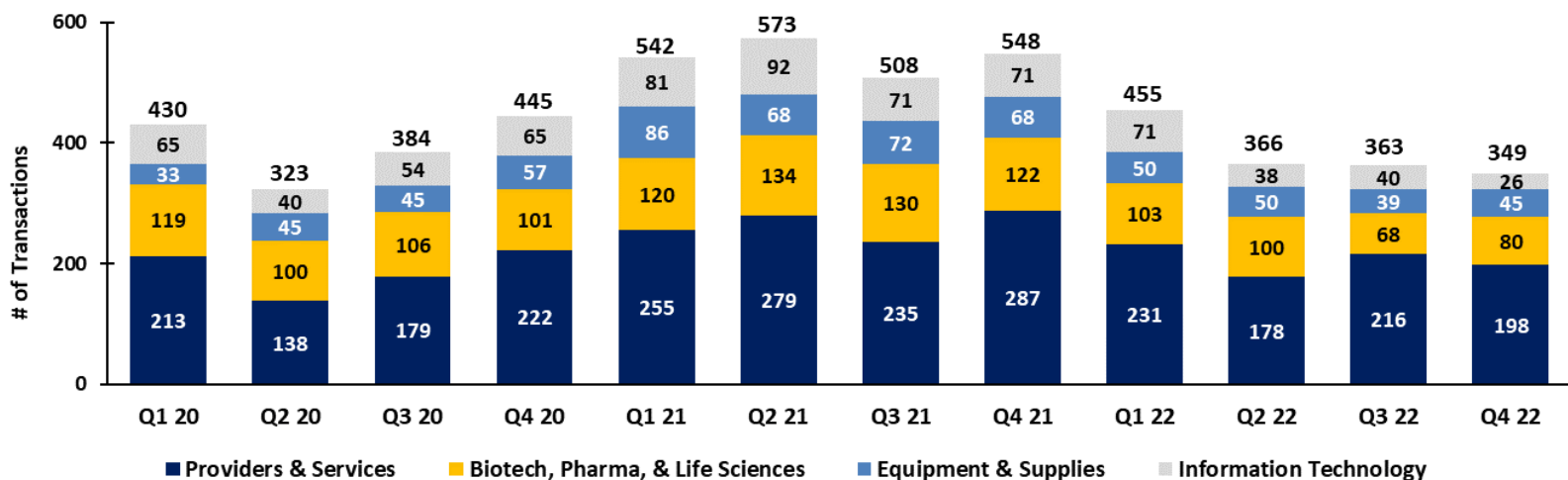
2022 Providers & Services Transactions



Source: CapIQ

Absent a major economic shock, we expect a cautious “flight to quality” approach to healthcare investing to continue in 2023, resulting in stable but below average transaction volume. We expect the average valuation multiple to also remain stable; but with a greater divergence between the highest-quality assets and those of average or below average quality.

Healthcare Transactions by Sector, by Quarter



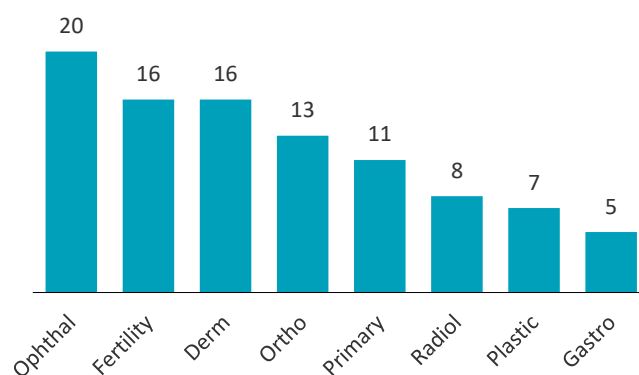
Source: CapIQ

Physician Practices Sector Profile

After experiencing record-high activity in 2021, M&A volume in Physician Practices declined nearly 17% in 2022, coming in just below the four-year average of 52 transactions per quarter. Deal activity was spread across many specialties with the more mature PE-backed rollups of Dermatology and Ophthalmology leading the way, joined by the unexpectedly busy Women's/Fertility specialty.

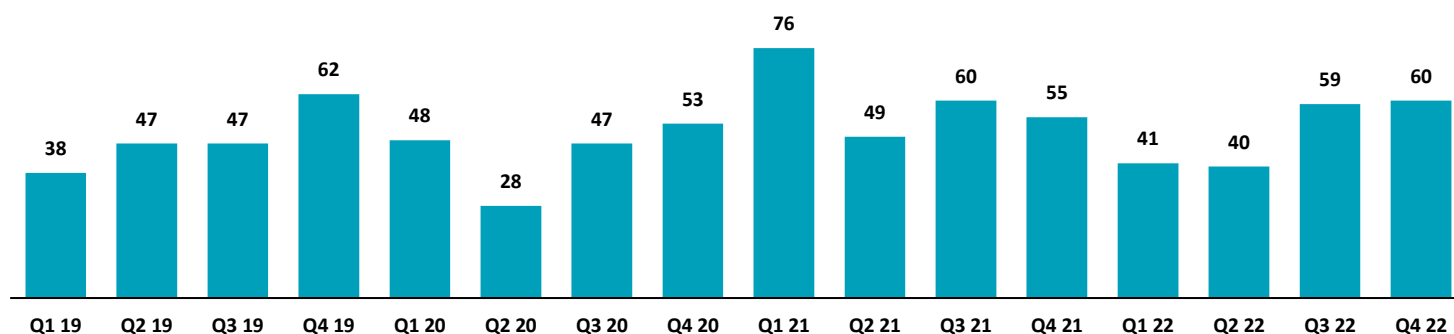
We expect transaction volume to remain stable as economic headwinds moderate the forces driving further consolidation. Practices with leading local market share and strong management teams will continue to command premium valuations even as the overall valuations ease downward.

Most Active Specialties - 2022



Source: CapIQ

Physician Practice M&A Transaction Volume



Source: CapIQ

Notable Physician Practice Transactions

Date Closed	Buyer / Investor	Target	Description
Dermatology			
12/01/2022	Forefront Dermatology (OMERS)	Paladin Dermatology	Dermatology practice in Petersburg, VA
12/19/2022	Epiphany Dermatology (Leonard Green & Partners)	Texas Dermatology Center	Dermatology practice in CO and TX
10/03/2022		Tarrant Dermatology Consultants	Dermatology practice in AZ, CO, and TX
04/11/2022	Pinnacle Dermatology (Baypine)	Dermatology Physicians Group	Dermatology practice in Chicago, IL
03/22/2022	Schweiger Derm. Group (LNK Partners)	The Connecticut Derm. Group	Provides medical, surgical, and cosmetic services
01/20/2022		Therta Dermatology Group	Provides dermatology and skin care services
Gastroenterology			
11/04/2022	Specialty Networks (Linden LLC)	Gastrologix	GI practice in Paoli, PA
08/19/2022	Apollo Global Management, Inc. (NYSE:APO)	GI Alliance	GI practices in AZ, AR, IL, IN, LA, MS, OK
05/04/2022	GI Alliance Holdings	Digestive Health Specialists	GI practice in Kansas City, MO

Notable Physician Practice Transactions (Cont.)

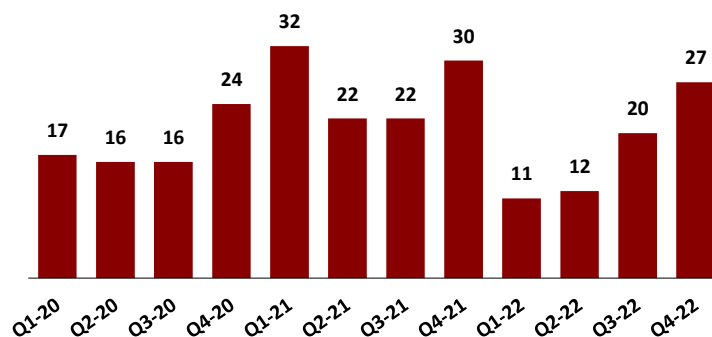
Date Closed	Buyer / Investor	Target	Description
Ophthalmology / Optometry			
12/15/2022	Sunvera Group (Ridegemont Equity Partners)	Ophthalmic Physicians Incorporated	Ophthalmology practice, Lasik center, and Ambulatory Surgery Center in greater Cleveland, OH
12/09/2022	Vision Innovation Partners (Gryphon Investors)	Neil Chesen, M.D.	Medical and surgical care services in Annapolis, MD
02/18/2022		SIEHT	Medical and surgical care in Fredericksburg, VA
01/07/2022		Pennsylvania Eye Surgery	Medical and surgical eye services in Harrisburg, PA
07/28/2022	ECP Ophthalmology Services (Partners Holding (SWX:PGHN))	Retina Institute of Virginia	Retina and vitreous services in Richmond, VA
07/28/2022		Commonwealth Eye Care	Medical and surgical eye care services in Henrico, VA
01/25/2022		Eye Physicians of Pinellas	Optometry and other eye services in Pinellas Park, FL
01/25/2022		Lakeland Eye Clinic	Medical and surgical eye care services in Lakeland, FL
01/26/2022	Atlantic Vision Partners (Sheridan Capital Partners)	Vista Eye Specialists	Medical and surgical care in Fredericksburg, VA
01/26/2022		Drs DeVito and Martin Optometry	Optometry and other eye services in Norfolk, VA
Otorhinolaryngology (ENT)			
09/09/2022	ENT and Allergy Ass.	Totum ENT	ENT and audiology provider located in New York, NY
07/06/2022	Family Allergy & Asthma (Prairie Management)	Asthma and Allergy Ass. of Florida	Asthma and allergy provider in Miami, FL
02/15/2022		Allergy & Asthma Specialists	Asthma and allergy provider in Stockbridge, GA
03/16/2022	Kentuckiana ENT	Louisville Family ENT	ENT and surgical provider located in Louisville, KY
03/16/2022		Community ENT	ENT and surgical provider located in Louisville, KY
Plastic Surgery			
12/12/2022	Pinnacle Dermatology (Baypine and Chicago Pacific Founders)	Synergy Plastic Surgery	Provides surgical and nonsurgical procedures located in Austin, TX
10/14/2022	Inspire Cosmetic Surgery and Med Spa (Hidden Harbor Capital)	Plastic Surgery Center of Hampton Roads	Provides surgical procedures and aesthetic procedures located in Newport News, VA
07/11/2022		Marietta Plastic Surgery	Cosmetic surgical provider located in Marietta,GA
07/21/2022	PatientPop (CF Private Equity)	Changes Plastic Surgery & Spa	Operates healthcare facilities that provide urologic care services in Colorado
06/02/2022	Body Contour Centers (Alaris Equity Partners)	Body Sculpt Intl	Provider of body contouring surgeries, located in Scottsdale, AZ

Behavioral Health Sector Profile

Behavioral Health transaction volume surged in the second half of 2022 after a slow beginning to the year, with addiction treatment centers continuing to lead the way. Deal activity continues to accelerate in general mental health due in large part to a) health systems seeking to better integrate mental and medical services and b) private equity seeking to consolidate a highly fragmented industry. Interest also remains high in higher margin specialty services such as Autism and Eating Disorders.

We expect Behavioral Health M&A to increase modestly in 2023 with stable valuation multiples.

Behavioral Health Transactions by Quarter



Source: CapIQ

Notable Behavioral Health Transactions

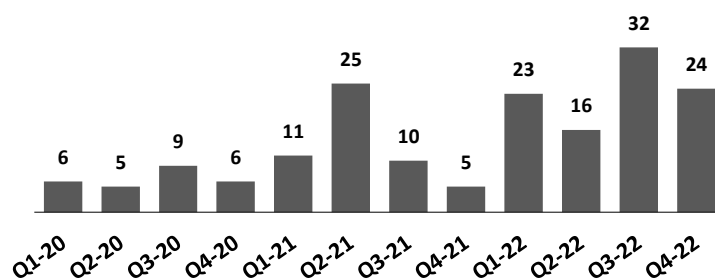
Date Closed	Buyer / Investor	Target	Description
Addiction			
12/08/2022 06/22/2022	Pinnacle Treatment Centers (Linden LLC)	MBA Wellness Centers Stepping Stone of North Carolina	Addiction treatment center located in Stockbridge, GA Opioid treatment program located in Boone, NC
12/06/2022 07/26/2022	BayMark Health Services (Webster Equity)	Nashville Recovery Ruelas Management Services	Opioid treatment program, via in office and telemedicine, located in Nashville, TN Drug and alcohol rehab center located in San Antonio, TX
10/28/2022	Lee Equity Partners	Addiction & Mental Health Services	Alcohol and drug addiction rehab services located across the southeast US
10/03/2022	Spero Health (First Cressey Ventures and Health Velocity)	My Turning Point	Alcohol and drug addiction rehab services located in Lawrenceburg, TN
08/10/2022	Discovery Behavioral Health (Webster Equity)	Brookdale Premier Addiction Recovery	Drug and alcohol abuse, center located in Scotrun, PA
Autism			
07/28/2022 01/20/2022	The Stepping Stone Group (Florac Investments)	C.B.E.S.T. Inc. The Southcoast Autism Center	Provides care and treatment for neurodevelopment and emotional disorders, located in Los Angeles, CA Provides behavioral therapy to autism child patients, located in Fairhaven, MA
Eating Disorder			
08/29/2022	Revelstroke Capital Partners	Eating Recovery Center	Provides eating disorder treatment services and is headquartered in Miami, FL
Mental Health / Psychiatry			
11/30/2022	Monroe Operations (Onex Corp - TSEX:ONEX)	PraireCare	Provides psychiatric services to youth, adolescents, and adults, located in Maple Grove, MN
08/29/2022	MindCare Solutions Group (WP Global Partners)	Alcove Ventures	Provides telepsychiatry services, counseling, and mental healthcare services located in Medina, OH

Support Services Profile

M&A transaction volume in companies who provide Support Services to healthcare providers (e.g., billing, staffing, consulting) had a very strong 2022. Like healthcare generally, these companies are perceived to be recession-resistant, but with lower regulatory and reimbursement risk. In an uncertain economy, employers increasingly look for temporary staffing and outsourced services to fill the employee gap.

Given these factors, we expect investment in Support Services to remain very strong in 2023.

Support Services Transactions by Quarter



Source: CapIQ

Notable Support Service Transactions

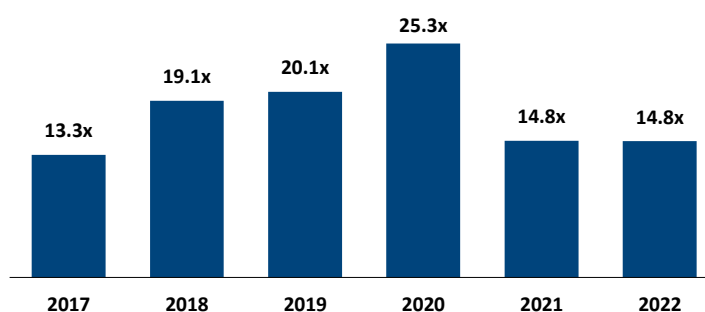
Date Closed	Buyer / Investor	Target	Description
12/22/2022	Ingenovis Health (Cornell Capital)	SpringBoard Healthcare Group	Provides staffing services; HQ in Phoenix, AZ
12/13/2022	Carisk Partners (MBF Healthcare Partners)	Advanced Claims Review Specialists	A medical cost containment company, utilizing evidence-based analysis of medical bills and records; located in Acworth, GA
10/25/2022	National Medical Billing (Aquiline Capital Partners)	MedTek.net Inc	Revenue cycle services for ASC's, hospitals, and clinics; located in Woodland Hills, CA
05/17/2022		Medi-Corp, Inc	Revenue cycle management; located in Cranford, NJ
02/16/2022		National Billing Partners	Revenue cycle management; located in Austin, TX

Home Health & Hospice Sector Profile

Home Health public company valuation multiples remained stable in 2022, suggesting the spike from 2018 to 2020 was the anomaly, not the norm. Home Health remains a favorite in the investor community who place a premium on services that lower the total cost of care and are well-positioned to take advantage of long-term demographic trends.

We expect transaction volume and valuations to remain stable in 2023.

Home Health & Hospice Public Company EV/EBITDA



Source: CapIQ

Notable Home Health & Hospice Transactions

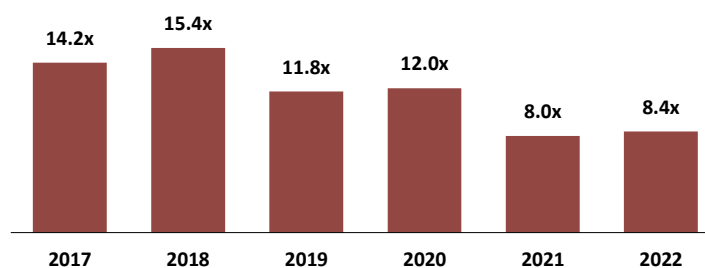
Date Closed	Buyer / Investor	Target	Description
10/05/2022 08/01/2022 06/01/2022	St. Croix Hospice (HIG Capital)	Adaptive Hospice Corpore Sano Home Health Lexington Hospice Services	Hospice services; located in Chicago, IL Home health services; located in Plymouth, MI Hospice services; located in Lombard, IL
10/04/2022 09/14/2022 05/24/2022	Agape Care Group (Ridgemont Equity)	Journey Hospice of Alabama GHC – Jesup Hospice of Carolina Foothills	Hospice services; located in Birmingham, AL Hospice services; located in Jessup, GA Hospice services; located in Forest City, NC
10/04/2022 01/05/2022	Jet Health (Health Enterprise and SV Health)	Trio Home Health Care Blessings Hospice	Home health and hospice; located in Denton, TX Home health and hospice; located in Arlington, TX

Rehabilitation Sector Profile

Despite a small uptick in public company valuations, Rehabilitation transaction volume decreased from 60 transactions in 2021 to 50 in 2022. Physical Rehabilitation Network, PT Solutions, and ATI Physical Therapy remain among the most active acquirers.

We expect transaction volume to rebound somewhat after a slow Q4, reverting to its long-term average later in the year, but expect valuation multiples to remain stable.

Rehabilitation Public Company EV/EBITDA



Source: CapIQ

Notable Rehabilitation Transactions

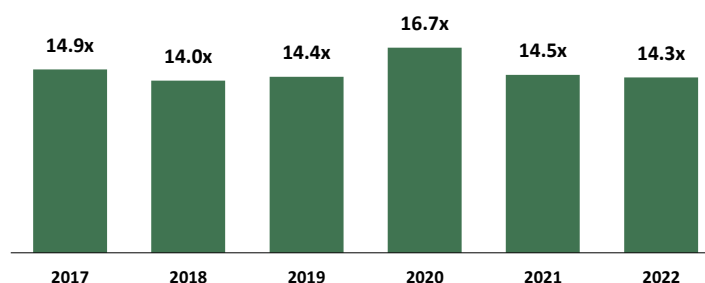
Date Closed	Buyer / Investor	Target	Description
11/09/2022	InHomeTherapy (NewSpring Capital)	Libertas Rehab	Physical therapy solutions to the home health industry; located in King of Prussia, PA
03/31/2022		The Real Dink	Physical, occupational, and speech therapy; located in Panorama City, CA
07/28/2022	AthletiCo (BDT Capital Partners)	Crossroads Rehabilitation	Ortho. rehabilitation services to communities, employers, and athletes
06/15/2022		Ascend Hand Therapy	Rehabilitation services to communities, employers, and athletes in the United States
01/18/2022		Georgialina Physical Therapy Ass.	Physical therapy and rehab services; located in N. Augusta, SC
01/11/2022		Therapy Specialists of Ok.	Physical therapy and rehab services; located in Edmond, OK
01/11/2022		Carson Physical Therapy	Physical therapy services focused on sports injuries; located in Bryant, Arkansas

Equipment & Supplies Sector Profile

Companies involved in the manufacture and distribution of medical equipment and supplies accounted for roughly one of every eight healthcare transactions in 2022, with public company valuation multiples also remaining strong despite higher interest rates, increased inflation, and global uncertainty.

We expect transaction volume and valuation multiples to remain strong for the foreseeable future.

Equipment & Supplies Public Company EV/EBITDA



Source: CapIQ

Notable Equipment & Supplies Transactions

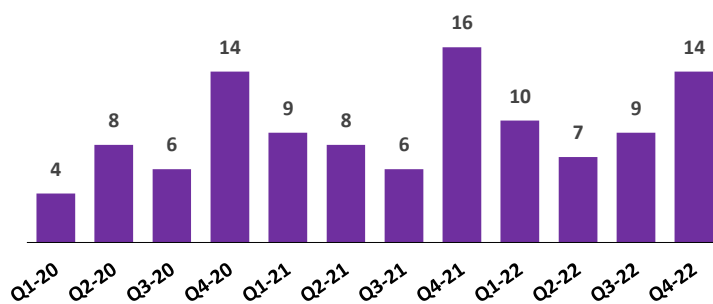
Date Closed	Buyer / Investor	Target	Description
12/02/2022	Reliable Medical Supply	Orbit Medical Enterprises	Distributes durable medical equipment; headquartered in Salt Lake City, Utah
09/19/2022	Becton, Dickinson and Co.	Medical Imaging Solutions	Supplies computed tomography, magnetic resonance imaging and cardio/angiogram vascular injector syringe located in Novi, MI
09/07/2022		SandBox Medical	Manufactures pacifiers and other products for babies; located in Pembroke, MA
08/02/2022	US Med-Equip, Inc.	Freedom Medical Inc.	Supplies movable medical equipment for hospitals in the US; located in Houston, TX

Dental Practice Sector Profile

A strong fourth quarter pushed deal volume in 2022 to its highest level in several years. Private equity-backed DSOs continue to drive transaction volume, capitalizing on the industry's still highly fragmented nature and consumer spending on dental services which is expected to grow at nearly 5% per year through 2025.

We anticipate deal activity and valuations to remain strong, especially among specialty practices such as those offering endodontics.

Dental Practice Transactions by Quarter



Source: CapIQ

Notable Dental Practice Transactions

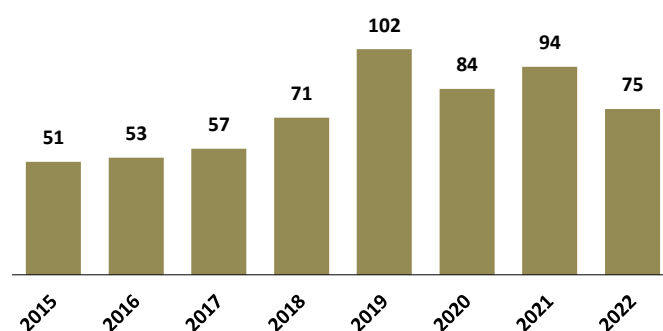
Date Closed	Buyer / Investor	Target	Description
12/09/2022	Beecken Petty O'Keefe (Healthcare Equity Partners)	Erik R. Curtis, D.D.S., M.S.	Orthodontic practice in Coeur d'Alene, Idaho
12/09/2022		Jose L. Garcia DDS, MS	Orthodontic practice in Temecula, CA
12/09/2022		Samuel S. Berro, D.D.S.	Orthodontic practice in Los Alamitos, CA
12/01/2022	Specialty Dental Brands (Leon Capital and TSG Partners)	Foothills Pediatric Dentistry	Pediatric dental services in Longmont, CO
12/01/2022		NuSmiles Orthodontics	Orthodontic practice in Columbia, MD
10/06/2022	Aria Care Partners (Serent Capital Management)	Mission Dental	Dental practice focused on mobile care in nursing facilities; located in Sunset, LA
10/06/2022		PrevMed	Dental practice focused on residents living in long-term care facilities; located in Greenwood, IN

Veterinary Medicine Sector Profile

According to the ASPCA, more than 23 million households adopted a pet during the pandemic, bolstering already strong investor interest and driving valuation multiples to unprecedented highs. In 2022, Animal Health transaction volume, of which Veterinary Clinics is the largest single component, remained strong but declined 20% from 2021.

While we expect deal activity to remain robust, we also expect valuation multiples for smaller practices to begin declining, perhaps rapidly, later in 2023.

Animal Health Transactions by Year



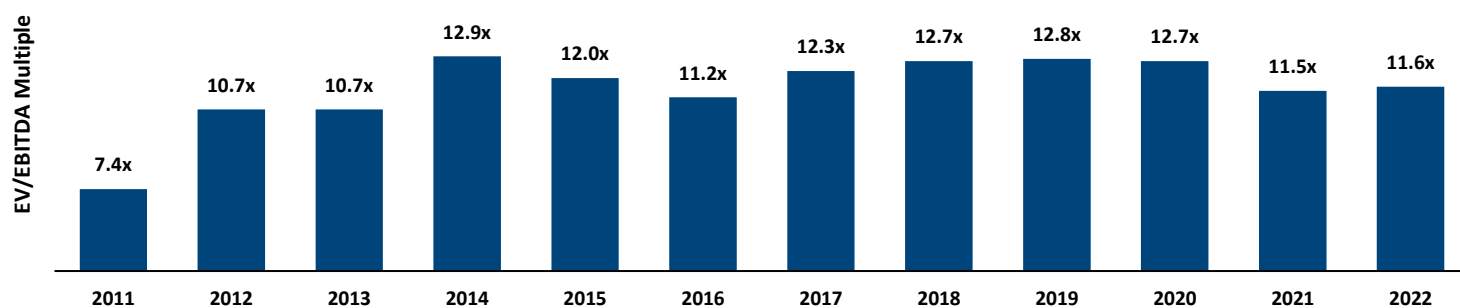
Source: CapIQ

Notable Veterinary Medicine Transactions

Date Closed	Buyer / Investor	Target	Description
10/31/2022	Amerivet Partners Mgmt. (Abu Dhabi Investment)	Northeast Veterinary Partners	14 veterinary practices across the northeast United States
10/19/2022	Animal Dermatology Group (Percheron Investment Mgmt.)	Animal Derm. Referral Clinic	Veterinary clinic located in Dallas, TX
01/06/2022		Animal Derm. & Allergy	Veterinary dermatology clinic located in Wayne, NJ
05/10/2022	Better Vet (Alta Partners)	Vet's Here Inc.	Provides veterinary care for pets in Buellton, CA
01/26/2022		Eugene Mobile Vet. Services	Provides in-home veterinary care in Eugene, OR
01/20/2022	Avanti Equine Vet. Partners (Convergent Capital)	Animal Imaging	Outpatient imaging service for animals in Irving, TX
01/20/2022		Steinbeck Peninsula Equine	Offers equine health care services in Salinas, CA

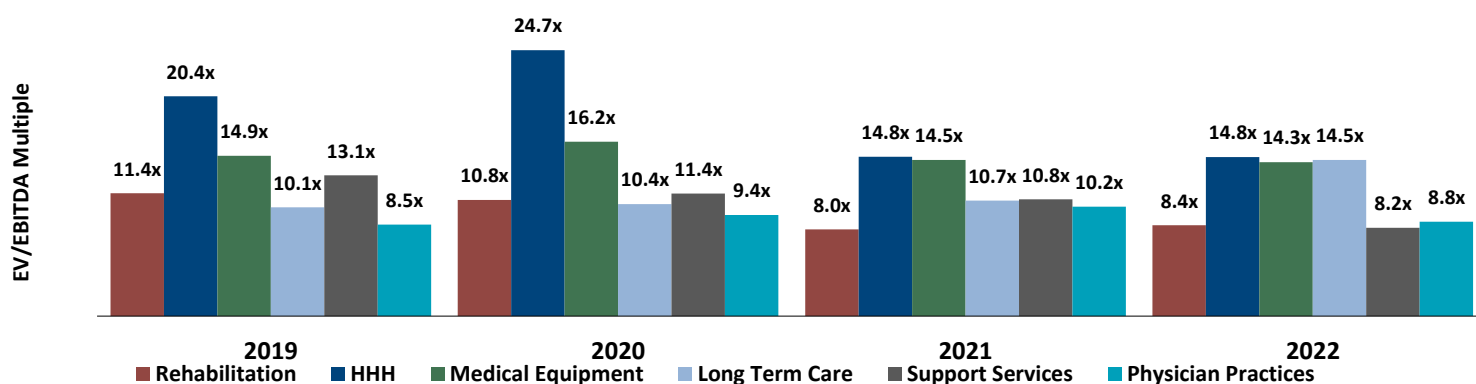
Public Company Comparisons Trading Multiples

Healthcare Industry Public Comparables: Annual EV/EBITDA Multiples



Source: CapIQ, public trading data as of December 31, 2022

Healthcare Sub-Sector Public EV/EBITDA Multiples



Source: CapIQ, public trading data as of December 31, 2022

Representative EdgePoint Healthcare Transactions



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

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