

**BRENTWOOD
CAPITAL
ADVISORS**

The best deal. Done.

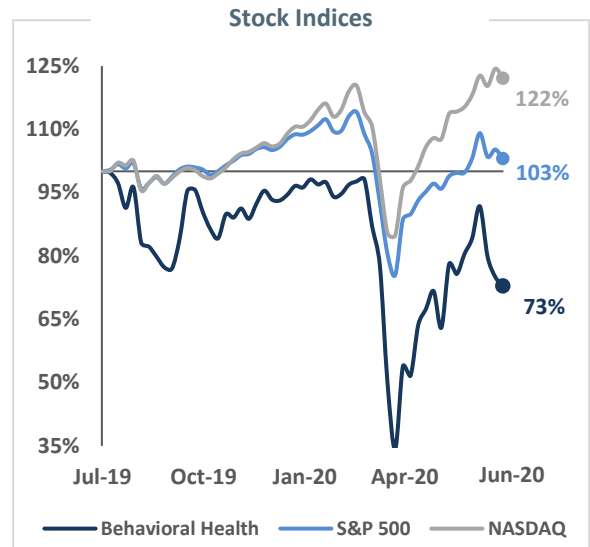
HEALTHCARE SERVICES SECTOR UPDATE 2Q20

July 2020

www.brentwoodcapital.com

BCA Market Commentary & Stock Indices Relative Performance

- Behavioral health has been one of the hardest hit sub-sectors in healthcare due to the isolation associated with the impact of COVID-19.
- Demand for outpatient mental health services is expected to grow substantially driven by job losses, addiction and isolation.
- Psychiatric telehealth will extend the reach of providers, which will help with the shortage of providers and the supply/demand imbalance.
 - Optum's \$470 million acquisition of AbleTo demonstrates the momentum the telehealth space is garnering.
 - Telehealth has limitations in this sector as certain cognitive tests needed by providers to appropriately treat patients can not be administered remotely.



Select M&A Transactions

Date	Target	Acquirer	Target Business Description	TEV (\$M)
6/24/20	Clearview Centers	Odyssey Behavioral Healthcare	Substance abuse treatment center in California.	N/A
5/14/20	LifeStance Health	Silversmith Capital; Summit Partners; TPG Capital	Provider of behavioral healthcare services.	\$1,200
4/27/20	AbleTo	Optum	Technology-enabled behavioral healthcare platform.	\$470
4/10/20	Integra	MedZed	Provider of community-based health worker services.	N/A

Select Public Trading Multiples

(\$M, except share prices)

Company	Ticker	Stock Price 6/30/20	% of 52-Week		TEV	TEV / Revenue		TEV / EBITDA	
			High	Low		LTM	NTM	LTM	NTM
Acadia Healthcare	ACHC	\$25.12	71%	227%	\$5,762	1.8x	1.8x	9.9x	10.0x
Universal Health Services	UHS	\$92.89	59%	142%	12,520	1.1x	1.1x	7.0x	8.7x
Average						1.5x	1.5x	8.5x	9.4x
Median						1.5x	1.5x	8.5x	9.4x

Note: EBITDA includes add-backs for stock-based compensation and non-recurring expenses. Data per SEC filings and PitchBook.

Brentwood Capital Advisors

Industry Banker

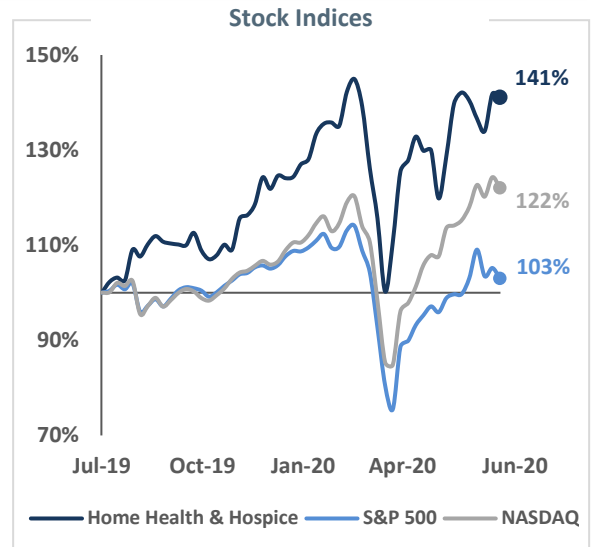
L.A. Galyon IV
Managing Director & Partner
lgalyon@brentwoodcapital.com
(615) 224-3815

Representative Transactions



BCA Market Commentary & Stock Indices Relative Performance

- Hospice M&A activity was better than expected in 2Q20. The most notable deal was Amedisys's acquisition of AseraCare Hospice. Amedisys paid \$203 million for Aseracare, which represents revenue and EBITDA multiples of 2.0x and 11.8x, respectively.
- BCA expects hospice M&A to remain active in 2H20. As expected, there was no meaningful home health M&A activity in 2Q20, a trend that is likely to continue until 2021.
- During 2Q20, home health agencies experienced lower volumes due to fewer upstream referrals and refused visits relating to COVID-19. Hospice operators reported that volumes were flat. Home health and hospice operators were beneficiaries of the CARES Act's Medicare grant as well as PPP loans, which have been a shot in the arm for the industry.
- In late June, CMS proposed a rule containing two important updates for home health agencies in 2021:
 - The home health prospective payment system (HH PPS) payment rates and wage index for CY 2021. Under the proposed rule, home health agencies would receive a rate update of 2.6%, or an increase in Medicare payments of \$560 million for CY 2021.
 - CMS is proposing to permanently finalize the amendments made for the use of technology as outlined in the first COVID-19 Public Health Emergency (PHE) Interim Final Rule (IFC). HHAs can use telehealth as long as it is specified in the plan of care (POC) and the home health agency has reached the LUPA threshold with in-person visits. So, while CMS wants to permanently approve the use of telehealth, it still can't be a substitute for in-person visits or be reimbursed.



Select M&A Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)	TEV Multiple	
					Revenue	EBITDA
6/2/20	Hospice With Grace	Traditions Home Health	Hospice provider in Texas.	N/A	N/A	N/A
6/1/20	AseraCare Hospice	Amedisys	Hospice provider in Arkansas.	\$203	2.0x	11.8x
5/18/20	Pro Hospice Agency	Bristol Hospice	Hospice provider in California.	N/A	N/A	N/A
5/16/20	Prime Hospice; Harmony Hospice	Pennant Group	Hospice provider in Arizona.	N/A	N/A	N/A
4/24/20	Nextgen Hospice	Choice Homecare	Hospice provider in Texas.	N/A	N/A	N/A
4/1/20	Homecare of Mid Missouri	Missouri Home Hospice	Home health provider in Missouri.	N/A	N/A	N/A

Select Public Trading Multiples

(\$M, except share prices)		Stock Price		% of 52-Week		TEV / Revenue		TEV / EBITDA	
Company	Ticker	6/30/20	High	Low	TEV	LTM	NTM	LTM	NTM
Addus HomeCare	ADUS	\$92.56	89%	215%	\$1,224	N/A	N/A	N/A	N/A
Amedisys	AMED	\$198.54	91%	172%	6,846	3.5x	3.3x	28.8x	28.3x
LHC Group	LHCG	\$174.32	100%	174%	5,760	2.8x	2.7x	24.5x	24.7x
Chemed	CHE	\$451.07	88%	137%	7,665	4.2x	3.6x	25.6x	19.1x
Pennant Group	PNTG	\$22.60	63%	367%	1,003	2.8x	2.6x	30.1x	33.9x
Average						3.3x	3.0x	27.3x	26.5x
Median						3.1x	3.0x	27.2x	26.5x

Note: ADUS has delayed 1Q20 filings. EBITDA includes add-backs for stock-based compensation and non-recurring expenses. Data per SEC filings and PitchBook.

Brentwood Capital Advisors

Industry Bankers

L.A. Galyon IV
Managing Director & Partner
lagalyon@brentwoodcapital.com
(615) 224-3815

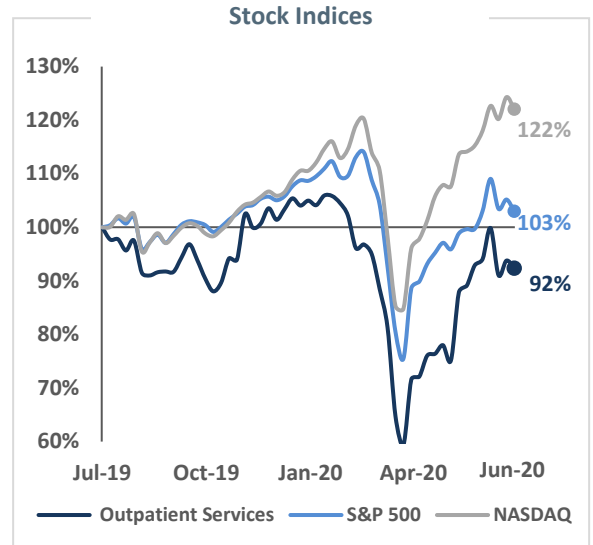
John Allgood
Director
jallgood@brentwoodcapital.com
(615) 224-3818

2020 Home Health & Hospice Transaction



BCA Market Commentary & Stock Indices Relative Performance

- In March, elective and non-essential procedures and surgeries were put on hold. Many physician groups saw their offices and surgery centers closed in March, April and parts of May. Volumes began to recover in May and June from the shutdowns.
- Telehealth has been the primary beneficiary of clinics and offices being closed. Many payers have signaled a willingness to pay for telehealth going forward.
- Orthopedics was one of the hardest hit specialties with procedure volume decreasing by ~50% compared to the same period last year.
- Deal flow in 2Q20 collapsed 80%+ from 2Q19.



Select M&A Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
6/9/20	OCR merged with Front Range Orthopedics & Spine		Providers of orthopedic care services.	N/A
5/14/20	Healthcare Associates in Medicine	The Orlin & Cohen Orthopedic Group	Provider of multi-specialty healthcare and medical services.	N/A
4/24/20	Arthritis and Osteoporosis Center	Infusion Associates Management	Operator of a healthcare clinic for connective tissues disorders.	N/A
4/15/20	Premier Rehab Physical Therapy	Empower Physical Therapy	Operator of outpatient physical therapy clinics.	N/A

Select Public Trading Multiples

(\$M, except share prices)

Company	Ticker	Stock Price 6/30/20	% of 52-Week		TEV	TEV / Revenue		TEV / EBITDA	
			High	Low		LTM	NTM	LTM	NTM
American Renal	ARA	\$6.52	47%	117%	\$917	1.1x	1.1x	7.4x	6.7x
DaVita	DVA	\$79.14	88%	156%	21,671	1.9x	1.8x	8.6x	8.6x
Encompass Health	EHC	\$61.93	74%	129%	9,687	2.1x	2.0x	9.4x	8.8x
Fresenius	FRE	\$49.62	86%	187%	53,631	1.3x	1.3x	6.7x	5.7x
U.S. Physical Therapy	USPH	\$81.02	55%	180%	1,154	2.4x	2.7x	14.9x	13.0x
Select Medical	SEM	\$14.73	51%	147%	6,468	1.2x	1.2x	8.9x	8.6x
Surgery Partners Inc.	SGRY	\$11.57	59%	289%	3,368	1.8x	2.0x	9.4x	9.1x
Average						1.7x	1.7x	9.3x	8.7x
Median						1.8x	1.8x	8.9x	8.6x

Note: EBITDA includes add-backs for stock-based compensation and non-recurring expenses. Data per SEC filings and PitchBook.

Brentwood Capital Advisors

Industry Bankers

L.A. Galyon IV
Managing Director & Partner
lgalyon@brentwoodcapital.com
(615) 224-3815
Dermatology | Vision | Gastroenterology

Dave Meagher
Managing Director
dmeagher@brentwoodcapital.com
(615) 905-8020
Orthopedic | Physical Therapy
Urology | Women's Health

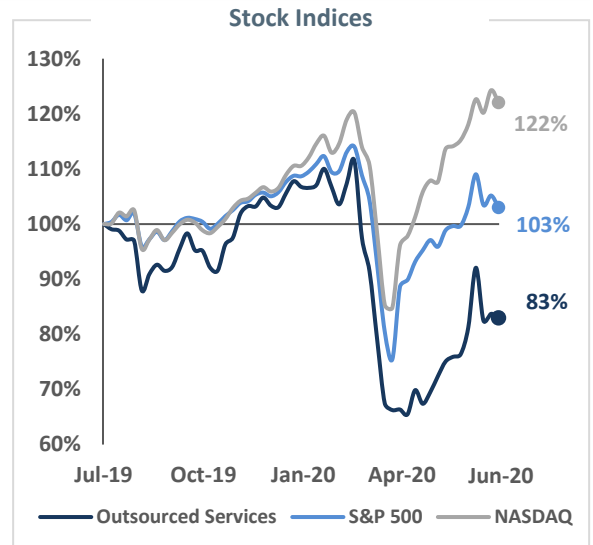
Porter Meadors
Director
pmeadors@brentwoodcapital.com
(615) 224-3821
Dental

Representative Transactions



BCA Market Commentary & Stock Indices Relative Performance

- Hospitals have traditionally outsourced services such as anesthesia and ER staffing to drive efficiencies.
- ER and hospital volumes were significantly impacted by COVID-19. ER visits the last week of May were down 26% from the same period of 2019. ER visits were down 40%+ in April.
- These trends have brought deal activity in the outsourced sector to a halt.



Select M&A Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
6/8/20	Lake Lanier Anesthesia Associates	CRH Medical Corporation	Provider of anesthesia services in Dallas, Texas.	N/A
6/2/20	Synergy Surgicalists	EA Health	Provider of surgicalist staffing services for hospitals.	N/A
5/20/20	Peak Health	McGriff Insurance Services	Provider of onsite, nurse-administered wellness programs.	N/A
4/10/20	Paragon Private Health	SignatureMD	Provider of concierge-type practice solutions to physicians.	N/A

Select Public Trading Multiples

(\$M, except share prices)

Company	Ticker	Stock Price 6/30/20	% of 52-Week		TEV	TEV / Revenue		TEV / EBITDA	
			High	Low		LTM	NTM	LTM	NTM
MedNax	MD	\$17.10	60%	232%	\$3,061	0.9x	1.2x	6.4x	7.9x
Healthcare Services Group	HCSG	\$24.46	77%	155%	1,718	0.9x	0.9x	13.7x	12.0x
AMN Healthcare	AMN	\$45.24	51%	123%	2,792	1.2x	1.1x	9.8x	8.4x
Cross Country Healthcare	CCRN	\$6.16	46%	137%	315	0.4x	0.4x	11.1x	8.4x
ASGN	ASGN	\$66.68	92%	230%	4,599	1.2x	1.1x	10.2x	10.0x
Average						0.9x	0.9x	10.2x	9.3x
Median						0.9x	1.1x	10.2x	8.4x

Note: EBITDA includes add-backs for stock-based compensation and non-recurring expenses. Data per SEC filings and PitchBook.

Brentwood Capital Advisors

Industry Banker

L.A. Galyon IV | Managing Director & Partner
lagalyon@brentwoodcapital.com
(615) 224-3815

Representative Transactions

