

**BRENTWOOD  
CAPITAL  
ADVISORS**

**The best deal. Done.**

---

**HEALTHCARE SERVICES  
SECTOR UPDATE  
3Q20**

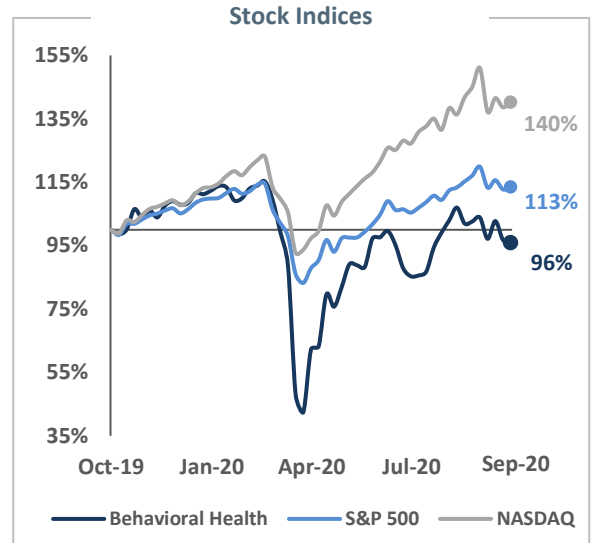
---

October 2020

[www.brentwoodcapital.com](http://www.brentwoodcapital.com)

## BCA Market Commentary & Stock Indices Relative Performance

- A supply / demand imbalance has always existed in the behavioral health marketplace. COVID-19 is exacerbating this need with job losses and isolation for many Americans.
- In-home and outpatient treatment settings should see continued growth.
- Telehealth will benefit from commercial adoption in the behavioral health sector. Many providers see telehealth as being a permanent offering.



## Select M&A Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
9/29/20	NeuroPsychiatric Hospitals	Enhanced Healthcare Partners	Neuropsychiatric healthcare facilities in IN.	N/A
8/31/20	Family Support Center	Speech Pathology Group	ABA therapy provider in CO.	Confidential - BCA Transaction
8/1/20	Progressive Behavioral Science	Cultivate Behavioral	ABA therapy provider in southern FL.	N/A
7/30/20	Main Line Recovery	Providence Treatment	Operator of outpatient treatment facility in PA.	N/A

## Select Public Trading Multiples

(\$M, except share prices)

Company	Ticker	Stock Price 9/30/20	% of 52-Week		TEV	TEV / Revenue		TEV / EBITDA	
			High	Low		LTM	NTM	LTM	NTM
Acadia Healthcare	ACHC	\$29.48	84%	266%	\$6,162	2.0x	1.9x	10.8x	10.3x
Universal Health Services	UHS	\$107.02	72%	164%	13,501	1.2x	1.2x	7.6x	7.8x
<b>Average</b>						<b>1.6x</b>	<b>1.5x</b>	<b>9.2x</b>	<b>9.0x</b>
<b>Median</b>						<b>1.6x</b>	<b>1.5x</b>	<b>9.2x</b>	<b>9.0x</b>

*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

Sell-Side

Sell-Side Advisory to  
**SPG**  
SPEECH PATHOLOGY GROUP

Recapitalization

Recapitalization Led by  
**CONSONANCE CAPITAL**

Sell-Side

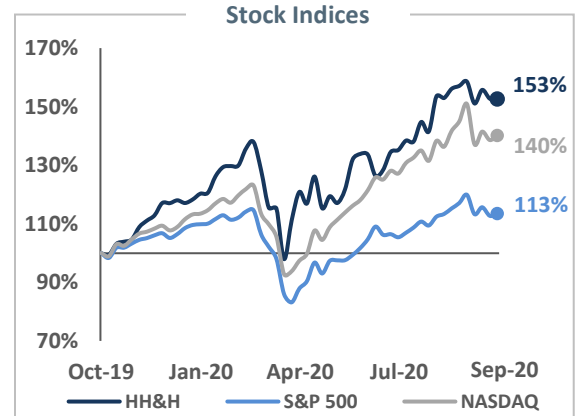
Sell-Side Advisory to  
**OCEANO**

Recapitalization

Recapitalization Led by  
**BROWN BROTHERS HARRIMAN**

## BCA Market Commentary & Stock Indices Relative Performance

- Hospice M&A activity was robust in 3Q20, and BCA expects the breakneck pace of transaction activity to continue in 4Q20 and into 2021.
- Home health M&A activity remained dormant in 3Q20. Amid the COVID-19 public health emergency, the home health industry saw several subsidies and relief measures enacted that have created an artificially positive environment for operators. Once these measures go away, BCA expects many smaller providers will seek to exit, resulting in significant deal making and consolidation.
- 3Q20 featured news of two notable non-medical personal care transactions:
  - Centerbridge Partners and Vistria Group are rumored to be teaming up on a \$1.4B acquisition of Help at Home.
  - The Providence Service Corp. (Nasdaq: PRSC) acquired Simplura Health Group from One Equity Partners for \$575M.



## Select M&A and Financing Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
9/30/20	Simplura Health Group	Providence Service Corp.	Provider of non-medical personal care.	\$575
9/29/20	Hospice Partners of KS	Three Oaks Hospice	Hospice provider in KS and MO.	N/A
9/17/20	Physician's Choice (OK)	Traditions Health	Hospice provider in OK.	N/A
9/17/20	Palladium Hospice (Southeast)	Traditions Health	Hospice provider in several states in SE.	N/A
9/16/20	CMS Home Health Care	Pennant Group	Home health provider in TX.	N/A
9/14/20	Carrington Hospice Care	Jet Health	Hospice provider in TX.	N/A
9/4/20	Remita Health	Bristol Hospice	Regional hospice provider in AZ, CA & NV.	N/A
8/31/20	Angel Heart Hospice	Alleo Health System	Hospice provider in GA.	N/A
8/20/20	Acappella in Home Care	Caring People	Hospice, home health & private duty provider in TX.	N/A
8/11/20	VNA California (Hospice)	Bristol Hospice	Hospice provider in CA.	N/A
8/11/20	VNA California (Home Health)	HealthSure Management Services	Home health provider in CA.	N/A
8/4/20	Faith Hospice of OK	Traditions Health	Hospice provider in OK.	N/A
8/4/20	Embrace Hospice of GA	Traditions Health	Hospice provider in GA.	N/A
7/20/20	ABC Hospice	Alleo Health System	Hospice provider in AL.	N/A
7/13/20	Upper Cumberland Hospice	Alleo Health System	Hospice provider in TN.	N/A
7/2/20	Signature Health Care at Home	Pennant Group	Hospice provider in ID and UT.	N/A
7/1/20	Graham Regional Hospice	AngMar Medical Holdings	Hospice provider in TX.	N/A
7/1/20	Reliable Hospice	AngMar Medical Holdings	Hospice provider in TX.	N/A

## Select Public Trading Multiples

(\$M, except share prices)		Stock Price	% of 52-Week		TEV / Revenue			TEV / EBITDA	
Company	Ticker	9/30/20	High	Low	TEV	LTM	NTM	LTM	NTM
Addus HomeCare	ADUS	\$94.51	88%	219%	\$1,126	1.5x	1.4x	17.3x	14.3x
Amedisys	AMED	\$236.43	95%	195%	8,119	4.1x	3.7x	28.9x	28.7x
LHC Group	LHCG	\$212.56	98%	213%	7,029	3.4x	3.3x	27.6x	25.8x
Chemed	CHE	\$480.35	91%	146%	8,193	4.5x	3.8x	26.3x	19.6x
Pennant Group	PNTG	\$38.56	89%	410%	1,498	3.4x	3.8x	37.0x	38.0x
					<b>Average</b>	<b>3.4x</b>	<b>3.2x</b>	<b>27.4x</b>	<b>25.3x</b>
					<b>Median</b>	<b>3.4x</b>	<b>3.7x</b>	<b>27.6x</b>	<b>25.8x</b>

*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  
lagalyon@brentwoodcapital.com  
(615) 224-3815

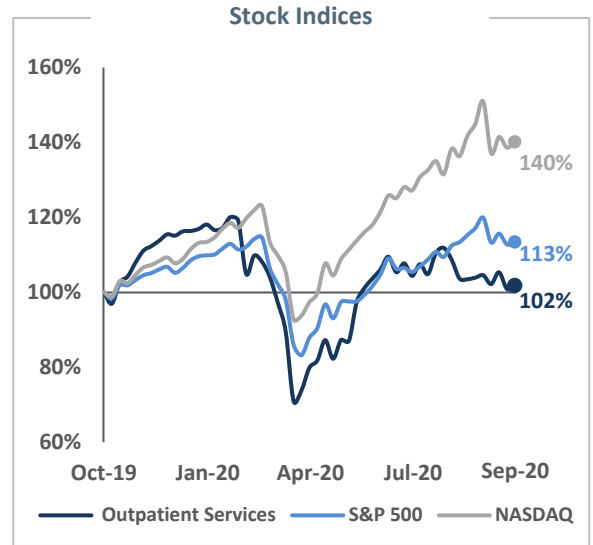
**John Allgood**  
Director  
jallgood@brentwoodcapital.com  
(615) 224-3818

### 2020 Home Health & Hospice Transaction



## BCA Market Commentary & Stock Indices Relative Performance

- Surgery volumes began to recover from lower COVID-19-related levels over the summer. Depending on the geography, many physician groups now see volumes at 80-85% of pre-COVID-19 levels.
- Many providers see the benefits of telehealth reaching additional patients for their practices.
- Deal flow will rebound from the trough in 2Q20. M&A volume is down 50% from the first half of 2019.



## Select M&A Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
8/25/20	Corrective Eye Center	EyeCare Partners	Provider of medical and surgical eye care services.	N/A
8/21/20	Elite Therapy	Drayer Physical Therapy Institute	Provider of outpatient physical therapy services.	N/A
8/10/20	Comprehensive Physical Therapy	Bay State Physical Therapy	Provider of physical therapy in MA.	N/A
7/31/20	Washington Dermatology Center	Anne Arundel Dermatology Mgmt.	Provider of general and cosmetic dermatology services.	N/A
7/22/20	6 ophthalmology centers	EyeCare Partners	Provider of comprehensive medical eyecare services.	N/A
7/14/20	2 dermatology practices	The Berks County Group	Provider of dermatology services in PA.	N/A

## Select Public Trading Multiples

(\$M, except share prices)

Company	Ticker	Stock Price 9/30/20	% of 52-Week		TEV	TEV / Revenue		TEV / EBITDA	
			High	Low		LTM	NTM	LTM	NTM
American Renal	ARA	\$6.90	65%	124%	\$825	1.0x	1.0x	6.6x	6.0x
DaVita	DVA	\$85.65	92%	158%	21,193	1.8x	1.8x	8.5x	8.1x
Encompass Health	EHC	\$64.98	78%	135%	9,904	2.2x	2.0x	10.7x	8.8x
Fresenius	FRE	\$45.59	79%	172%	51,257	1.2x	1.2x	6.1x	5.1x
U.S. Physical Therapy	USPH	\$86.88	59%	193%	1,197	2.7x	2.8x	17.8x	13.5x
Select Medical	SEM	\$20.82	73%	208%	6,652	1.2x	1.2x	9.1x	8.2x
Surgery Partners Inc.	SGRY	\$21.90	88%	548%	3,758	2.1x	1.9x	11.9x	9.1x
<b>Average</b>						<b>1.8x</b>	<b>1.7x</b>	<b>10.1x</b>	<b>8.4x</b>
<b>Median</b>						<b>1.8x</b>	<b>1.8x</b>	<b>9.1x</b>	<b>8.2x</b>

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  
lagalyon@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

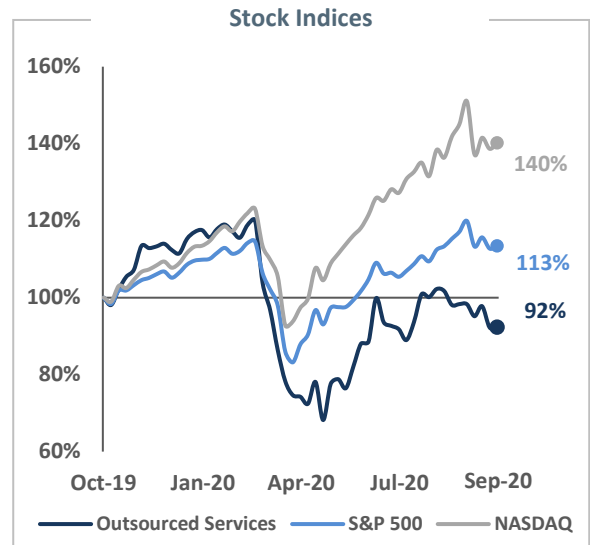
**Porter Meadors**  
Director  
pmeadors@brentwoodcapital.com  
(615) 224-3821  
Dental

### Representative Transactions



## BCA Market Commentary & Stock Indices Relative Performance

- Outsourcing firms' volumes tend to follow the volumes of their facility and hospital clients. 2Q20 volumes collapsed due to lockdowns and COVID-19.
- Larger outsourcing firms such as Team Health and Envision Healthcare see volumes at 80% of 2019 levels.
- Activity in the M&A market should follow as volumes normalize over the next six to twelve months.



## Select M&A Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
9/15/20	Surgery Partners (anesthesia services)	Anesthesia Consulting & Mgmt.	Operator of short-stay surgical facilities.	N/A
9/10/20	MEDNAX Radiology Solutions	Radiology Partners	National provider of radiology services.	\$885
8/11/20	Decker X-Ray	National Imaging Solutions	Provider of X-ray services in Houston TX.	N/A
8/10/20	Alfred Medical Imaging	I-MED Radiology Network	Provider of a wide range of medical imaging procedures.	N/A
8/4/20	Orange County Anesthesia Assoc.	CRH Medical Corp.	Provider of anesthesia services to an ambulatory surgery center.	N/A

## Select Public Trading Multiples

(\$M, except share prices)		Stock Price		% of 52-Week		TEV / Revenue		TEV / EBITDA	
Company	Ticker	9/30/20	High	Low	TEV	LTM	NTM	LTM	NTM
MedNax	MD	\$16.28	57%	221%	\$3,136	0.9x	1.4x	6.7x	9.5x
Healthcare Services Group	HCSG	\$21.53	69%	136%	1,463	0.8x	0.8x	12.2x	9.9x
AMN Healthcare	AMN	\$58.46	66%	160%	3,876	1.6x	1.6x	11.8x	11.5x
Cross Country Healthcare	CCRN	\$6.49	48%	144%	311	0.4x	0.4x	9.4x	6.5x
ASGN	ASGN	\$63.56	85%	219%	4,499	1.1x	1.1x	10.0x	9.2x
<b>Average</b>						<b>1.0x</b>	<b>1.1x</b>	<b>10.0x</b>	<b>9.3x</b>
<b>Median</b>						<b>0.9x</b>	<b>1.1x</b>	<b>10.0x</b>	<b>9.5x</b>

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

## Brentwood Capital Advisors

### Industry Bankers

**Tom Wyllly**  
Senior Partner  
twyllly@brentwoodcapital.com  
(615) 224-3812

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

### Representative Transactions

