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**HEALTHCARE SERVICES  
SECTOR UPDATE  
4Q20**

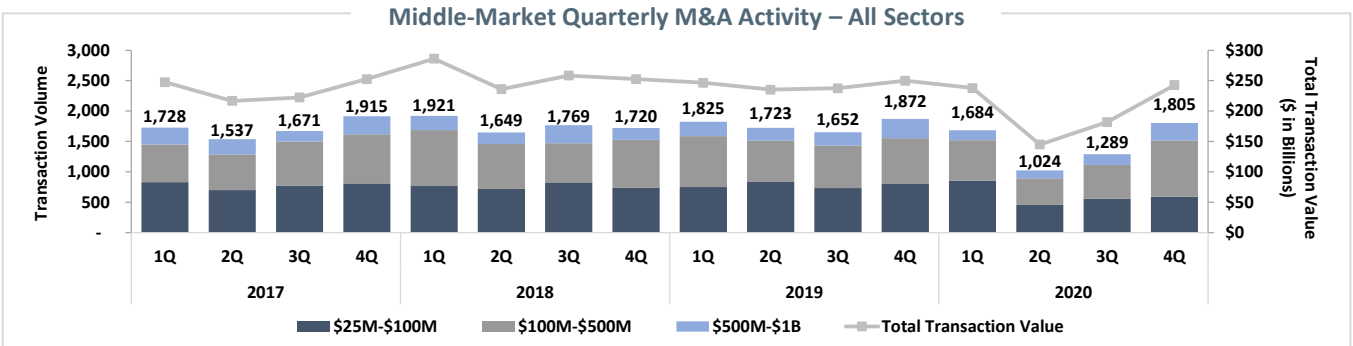
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February 2021

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## 4Q20 M&A Update & Outlook

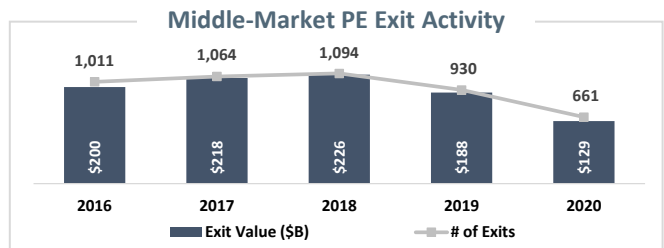
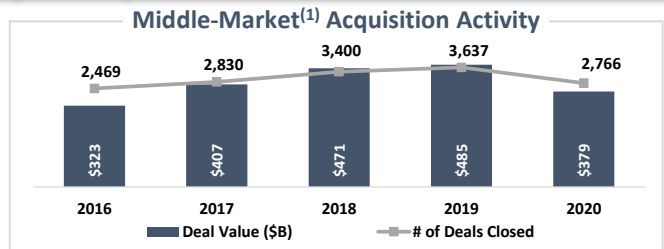
Despite a turbulent first half of the year, U.S. deal-making was able to fend off complete collapse in 2020 with M&A activity accelerating through 3Q20 and finishing the year on a high note. Sponsors initially focused on helping portfolio companies weather the storm but turned their attention back to add-on and eventually new platform investments in the second half of the year, buoyed by the Federal Reserve's historic support and improving credit conditions. Technology and healthcare remain favored sectors for private equity ("PE") investment, particularly companies utilizing a SAAS business model. BCA expects continued momentum in the M&A markets in 2021.



Source: Pitchbook.

## Private Equity Activity

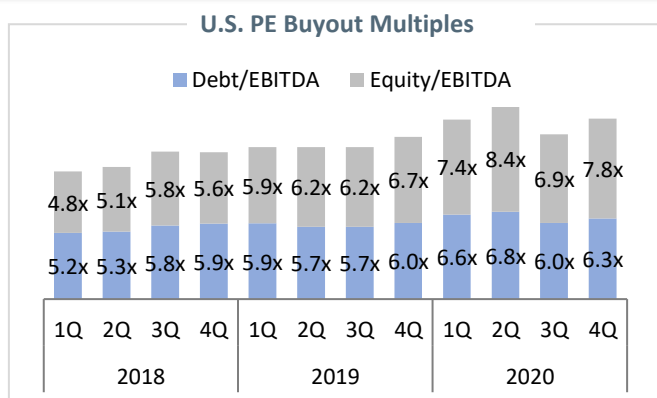
- U.S. PE funds invested ~\$380 billion across ~2,800 middle-market deals in 2020. This is a promising result after a complete free fall in deal-making activity during 2Q20.
- 2020 middle-market exit activity was approximately 30%+ lower than 2019. This is partially due to PE firms' ability to delay exits until more favorable market conditions return.
- PE funds invested in a greater proportion of less risky add-on opportunities in 2020, which resulted in a median deal size of \$150+ million, the lowest since 2016. This trend had already started prior to the pandemic, as PE investors looked for accretive ways to put money to work given high valuation multiples garnered by stand-alone platforms.
- Despite continuing uncertainty around COVID-19, PE funds continue to have ample dry powder to put to work, especially for high-quality assets that have successfully managed through the pandemic.



Source: Pitchbook. (1) Middle-market includes deal values of \$25M - \$1B.

## Debt & Leveraged Loan Market

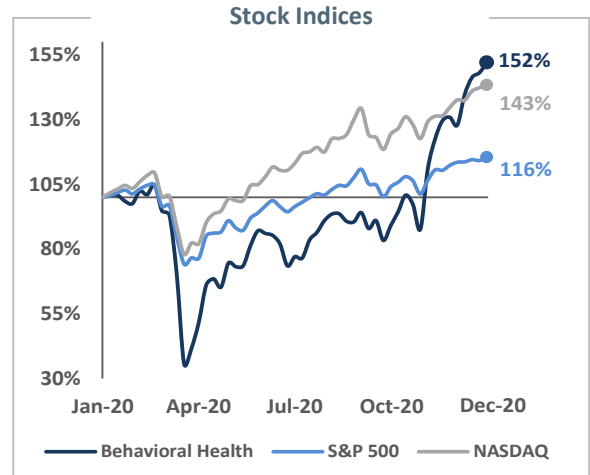
- The leverage loan market has recovered from the stress of 2Q20-3Q20 and remains open and favorable for high-quality borrowers, further supporting M&A activity.
- Leverage multiples have not rebounded to the pre-COVID-19 levels, but access to capital does exist especially for companies isolated from the impact of COVID-19 that have highly recurring business models.
- Lenders have become more conservative in stringently evaluating EBITDA add-backs, as aggressive adjustments have not always come to fruition.
- BCA believes high-quality borrowers and PE funds will continue to have ample access to debt capital albeit at lower leverage multiples.



Sources: Pitchbook; Fitch Ratings 2021 Outlook.

## BCA Market Commentary & Stock Indices Relative Performance

- Behavioral health in the U.S. is a \$250B marketplace with the Mental Health Parity Addition Act of 2008 creating more coverage for behavioral health services.
- Stress and isolation due to COVID-19 drive higher demand for behavioral health services and support continued growth in the sector.
- Telehealth mental health services have greatly increased the access to care for individuals. Outpatient and telehealth mental health services are expected to experience significant growth over the coming years.



## Select M&A Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
12/30/20	Acadia Healthcare (U.K. division)	Waterland Private Equity	Multinational behavioral healthcare provider.	\$1,470.0
12/28/20	Prosperity Wellness Center	Discovery Behavioral Health	40-bed residential facility treating substance abuse.	N/A
12/22/20	Bayless Integrated Healthcare	Magellan Health	Primary and behavioral care provider in AZ.	N/A
12/22/20	HMC HealthWorks	Integrated Behavioral Health	Offers integrated clinical solutions, chronic care, behavioral health solutions and more.	N/A
12/21/20	Family Care Center	Revelstoke Capital Partners	Mental health provider in Colorado.	Confidential - BCA Transaction
12/18/20	Behavior Pioneers	Apara Autism Center	ABA therapy provider in TX.	N/A
12/14/20	Beacon Behavioral Hospital	Latticework Capital Management	Provider of psychiatric care for adults and seniors.	N/A
12/2/20	Catalyst Behavior Solution	Pharos Capital Group	Mental health therapy and ABA therapy provider.	N/A
11/9/20	Exemplar Health Care	Ares Management	Home care centers to treat mental health disorders.	N/A
10/21/20	Momentum Autism Therapy Services	Blue Sprig Pediatrics	ABA therapy provider in MI.	N/A
10/5/20	Family Behavioral Resources	Pathways Health & Community Support	Outpatient mental health provider in PA and OH.	N/A
10/1/20	Gentle Care Home Services	Bridges Health Services	Behavioral health assessment services.	N/A
10/1/20	Connections Health Solutions	Heritage Group	Provider of emergent behavioral health solutions.	N/A

## Select Public Trading Multiples

(\$M, except share prices)		Stock Price	% of 52-Week		TEV / Revenue		TEV / EBITDA		
Company	Ticker	12/31/20	High	Low	TEV	LTM	NTM	LTM	NTM
Acadia Healthcare <sup>(1)</sup>	ACHC	\$50.26	99%	453%	\$7,880	2.5x	2.3x	13.6x	12.1x
Universal Health Services	UHS	\$137.50	93%	211%	15,273	1.3x	1.3x	8.3x	8.0x
					<b>Average</b>	<b>1.9x</b>	<b>1.8x</b>	<b>10.9x</b>	<b>10.1x</b>

Note: EBITDA includes add-backs for stock-based compensation and non-recurring expenses. Data per SEC filings and PitchBook. (1) Does not reflect ACHC's sale of its U.K. division in Dec-20.

## Brentwood Capital Advisors

### Industry Banker

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

### Representative Transactions

Recapitalization

Recapitalization Led by

Sell-Side

Sell-Side Advisory to

Recapitalization

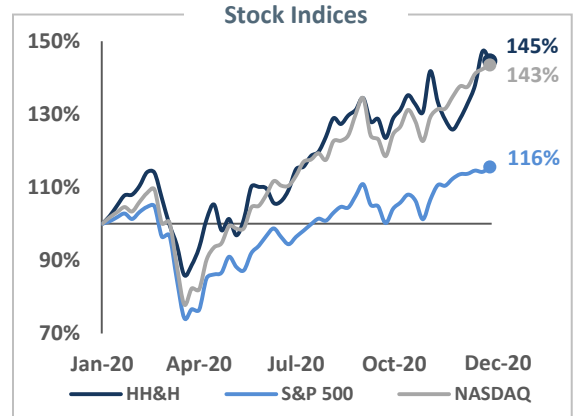
Recapitalization Led by

Asset Divestiture

Asset Divestiture to

## BCA Market Commentary & Stock Indices Relative Performance

- 4Q20 was another busy quarter for hospice M&A activity, representing one of the most active healthcare subsectors in 2020. Three standout hospice deals in 4Q20 include:
  - Merger of AccentCare Inc (sponsor: Advent International) and Seasons Hospice & Palliative Care. The combined company will generate annual revenue greater than \$1 billion, making it one of the top 5 largest players in the industry.
  - Thomas H. Lee Partners recapitalized Care Hospice, which was previously sponsored by Martis Capital.
  - HIG Capital recapitalized St. Croix Hospice for a TEV of \$580 million at a 16.6x LTM EBITDA multiple.
- Pure-play home health transactions were mostly dormant in 2020, though some of the hospice providers sold also provide home health and non-medical home care services. BCA expects to see increasing M&A activity for home health providers in 2021 and beyond.
- In December 2020, Encompass Health (NYSE: EHC) announced that it is exploring strategic alternatives for its home health and hospice business, including a partial/full sale, IPO, spin-off or merger. The fate of this strategic review has the potential to change industry dynamics in 2021.



## Select M&A and Financing Transactions

Date	Target	Acquirer	Target Business Description	TEV (\$M)	TEV Multiple	
					Revenue	EBITDA
12/31/20	AbilisHealth	BrightSpring Health Services	Home health & private duty provider in TN.	N/A	N/A	N/A
12/16/20	Mission Healthcare	The Vistria Group	Home health & hospice provider in southern CA.	N/A	N/A	N/A
12/11/20	InTeliCare Home Health & Hospice	The Care Team	Home health & hospice provider in MI.	N/A	N/A	N/A
12/7/20	Centennial Hospice	Traditions Health	Hospice provider in OK.	N/A	N/A	N/A
12/2/20	Harbor Light Hospice	Traditions Health	Hospice provider in seven states.	\$95	N/A	N/A
11/16/20	AccentCare merger with Seasons Hospice & Palliative Care		Operates 225+ locations across 26 states.	N/A	N/A	N/A
11/12/20	Grace Hospice of OK	LHC Group	Hospice provider in OK.	N/A	N/A	N/A
11/11/20	Queen City Hospice	Addus HomeCare	Hospice provider in OH.	\$192	3.4x	17.8x
11/6/20	Hands of Mercy Hospice (SC)	Affinity Hospice	Hospice provider in SC.	N/A	N/A	N/A
10/28/20	Honor	Baillie Gifford; T Rowe Price	In-home care network based in CA.	N/A	N/A	N/A
10/23/20	Care Hospice	THL Partners	Hospice provider in 12 states.	\$700	N/A	N/A
10/19/20	St. Croix Hospice	HIG Capital	Leading provider of hospice services in Midwest.	\$580	N/A	16.6x
10/13/20	Vitality Home Healthcare	Charter Health Care	Hospice provider in CO.	N/A	N/A	N/A
10/13/20	Heartwood Home Health & Hospice	Charter Health Care	Home health & hospice provider in UT.	N/A	N/A	N/A

## Select Public Trading Multiples

Company	Ticker	Stock Price	% of 52-Week		TEV	TEV / Revenue		TEV / EBITDA	
			High	Low		LTM	NTM	LTM	NTM
Addus HomeCare	ADUS	\$117.09	99%	272%	\$1,736	2.3x	2.1x	25.5x	19.8x
Amedisys	AMED	\$293.33	98%	221%	10,045	5.0x	4.4x	30.2x	30.2x
LHC Group	LHCG	\$213.32	90%	213%	6,631	3.2x	3.0x	25.4x	23.9x
Chemed	CHE	\$532.61	98%	161%	8,911	4.8x	4.1x	27.9x	20.0x
Pennant Group	PNTG	\$58.06	87%	618%	2,072	6.4x	4.9x	N/M	N/M
<b>Average</b>						<b>4.3x</b>	<b>3.7x</b>	<b>27.2x</b>	<b>23.5x</b>
<b>Median</b>						<b>4.8x</b>	<b>4.1x</b>	<b>26.7x</b>	<b>21.9x</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  
(615) 224-3815  
lagalyon@brentwoodcapital.com

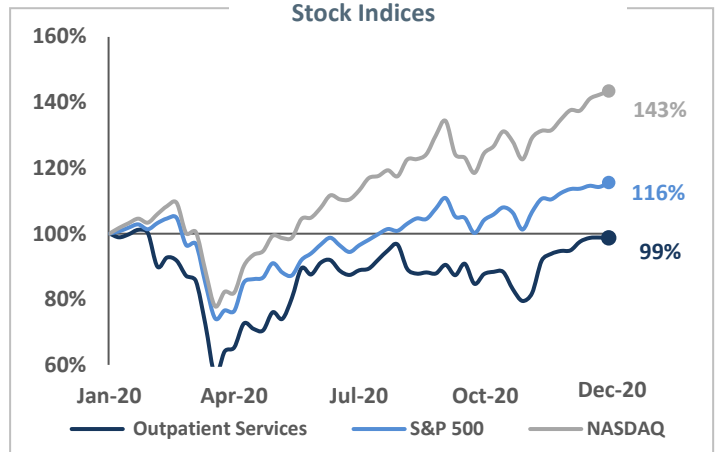
**John Allgood** | Director  
(615) 224-3818  
jallgood@brentwoodcapital.com

### Representative Transactions



## BCA Market Commentary & Stock Indices Relative Performance

- Outpatient services continues to grow given lower costs and convenience. Vision, dermatology and dental saw a good rebound in transactions in 4Q20.
- Uncertainty with recent COVID-19 spikes have rendered volatile volume in the Physician Practice Management (PPM), ASC and clinic settings. Most physician groups seem to believe 2H21 will be very active from a M&A perspective.
- CMS rolled out cuts to PPM specialties in early December. This will accelerate the need for scale and M&A.



## Select M&A Transactions

Date	Target	Acquiror	Target Business Description	TEV Multiple	
				TEV (\$M)	EBITDA
12/23/20	Xcel Sports Medicine	Confluent Health	Operator of three physical therapy clinics.	N/A	N/A
12/20/20	Burg Children's Dentistry	Specialty Dental Brands	Provider of pediatric services.	\$50	11.4x
12/20/20	Midwest Dental	Smile Brands	Provider of dental services.	Confidential	
12/19/20	Spring Dental	Sorenson Capital	US-based dental clinic.	\$90	11.3x
12/16/20	Physical Rehabilitation Network	Gryphon Investors	A network of physical therapy clinics.	\$280	15.1x
12/1/20	Branford Optometric Assoc.	Keplr Vision	Provider of primary health care for the eye.	N/A	N/A
11/16/20	ClearChoice Management Services	Aspen Dental Management	Provider of dental implant services.	\$1,135	12.6x
11/16/20	Pacific Derm	MedSpa Partners	Provider of dermatology services.	N/A	N/A
10/29/20	Palmetto Retina, P.A.	Retina Consultants of America	Provider of ophthalmology services.	N/A	N/A
10/2/20	American Renal Assoc.	Innovative Renal Care	Provider of outpatient dialysis services.	\$853	8.0x

## Select Public Trading Multiples

<i>(\$M, except share prices)</i>									
Company	Ticker	Stock Price 12/31/20	% of 52-Week		TEV	TEV / Revenue		TEV / EBITDA	
			High	Low		LTM	NTM	LTM	NTM
American Renal Asso.	ARA	\$11.45	96%	206%	\$971	1.2x	1.2x	7.7x	6.7x
DaVita	DVA	\$117.40	100%	189%	25,202	2.2x	2.2x	10.2x	9.6x
Encompass Health	EHC	\$82.69	95%	172%	11,634	2.5x	2.4x	12.5x	10.6x
Fresenius	FRE	\$46.36	82%	174%	53,829	1.2x	1.2x	6.1x	5.1x
U.S. Physical Therapy	USPH	\$120.25	90%	266%	1,610	3.8x	3.5x	22.5x	18.0x
Select Medical	SEM	\$27.66	97%	277%	7,384	1.4x	1.3x	10.1x	8.6x
Surgery Partners Inc.	SGRY	\$29.01	98%	725%	4,128	2.3x	2.0x	11.4x	9.7x
<b>Average</b>						<b>2.1x</b>	<b>1.9x</b>	<b>11.5x</b>	<b>9.7x</b>
<b>Median</b>						<b>2.2x</b>	<b>2.0x</b>	<b>10.2x</b>	<b>9.6x</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  
(615) 224-3815  
lagalyon@brentwoodcapital.com

**Michael Ory** | Managing Director  
(615) 905-8028  
mory@brentwoodcapital.com

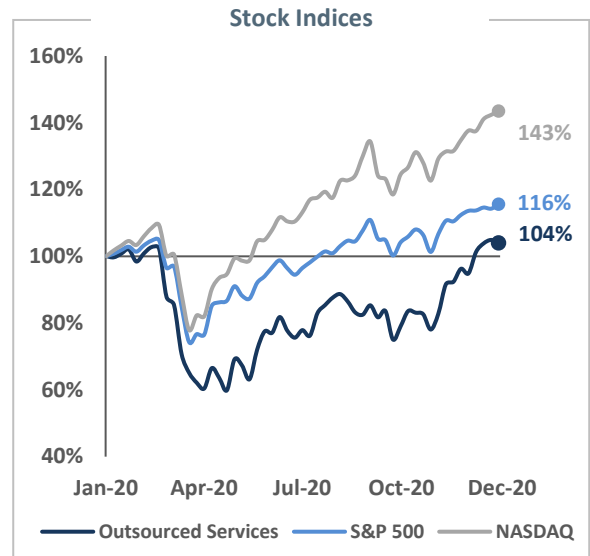
**Porter Meadors** | Director  
(615) 224-3821  
pmeadors@brentwoodcapital.com

### Representative Transactions



## BCA Market Commentary & Stock Indices Relative Performance

- COVID-19 and the recent surge has put tremendous strain on healthcare facilities and staffing. The nursing shortage in the U.S. is particularly acute.
- The surprise billing legislation passed in December will bring some relief to patients and remove uncertainty for providers.
- The expectation is that the vaccine is distributed throughout 1Q21-2Q21, and M&A in the sector will normalize.



## Select M&A Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
12/17/20	Alfred Medical Imaging	I-MED Radiology Network	Provider of radiologist reporting services.	N/A
12/16/20	MEDNAX Radiology Solutions	Radiology Partners	National provider of radiology services.	\$885
12/14/20	FDHS Anesthesia	CRH Medical Corporation	Provider of a gastroenterology anesthesia practice.	N/A
11/30/20	Windsong Radiology Group	US Radiology Specialists	Provider of diagnostic imaging services.	N/A
11/15/20	U.S. MRI; Open Imaging MRI Specialists	Center for Diagnostic Imaging	Providers of diagnostic imaging services.	N/A
10/2/20	EmergenHealth	Varsity Healthcare Partners	Provider of medical practice anesthesia services.	N/A

## Select Public Trading Multiples

(\$M, except share prices)		Stock Price	% of 52-Week		TEV	TEV / Revenue		TEV / EBITDA	
Company	Ticker	12/31/20	High	Low		LTM	NTM	LTM	NTM
MedNax	MD	\$24.54	88%	333%	\$3,624	1.0x	1.9x	10.1x	11.4x
Healthcare Services Group	HCSG	\$28.10	90%	178%	1,939	1.1x	1.1x	15.3x	12.8x
AMN Healthcare	AMN	\$68.25	76%	186%	4,271	1.7x	1.7x	12.8x	12.1x
Cross Country Healthcare	CCRN	\$8.87	66%	197%	383	0.5x	0.5x	11.2x	8.2x
ASGN	ASGN	\$83.53	95%	288%	5,374	1.4x	1.3x	12.2x	10.6x
<b>Average</b>						<b>1.1x</b>	<b>1.3x</b>	<b>12.3x</b>	<b>11.0x</b>
<b>Median</b>						<b>1.1x</b>	<b>1.3x</b>	<b>12.2x</b>	<b>11.4x</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 Wylly** | Senior Partner  
(615) 224-3812  
twylly@brentwoodcapital.com

**Michael Ory** | Managing Director  
(615) 905-8028  
mory@brentwoodcapital.com

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

### Representative Transactions

