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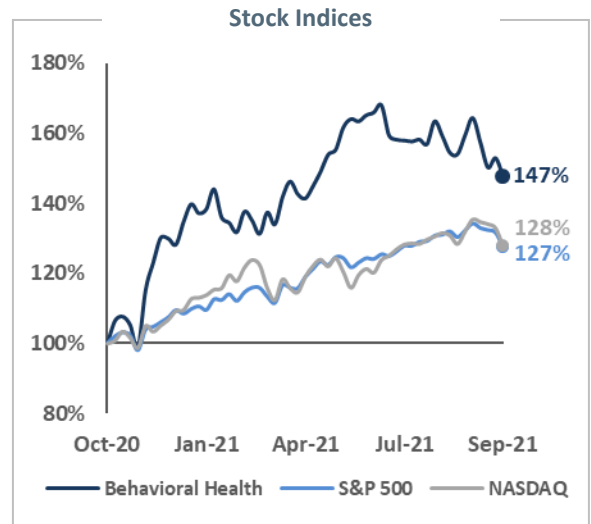
**HEALTHCARE SERVICES  
SECTOR UPDATE  
3Q21**

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November 2021  
[www.brentwoodcapital.com](http://www.brentwoodcapital.com)

## BCA Market Commentary & Stock Indices Relative Performance

- COVID lockdowns, increased isolation, and addiction have exacerbated the supply / demand imbalance in behavioral health.
- While mental health parity laws and the ACA expanded coverage for behavioral needs, dollars are flowing to providers, which is expanding access for behavioral care.
- Digital and outpatient behavioral providers are growing, creating value and attracting M&A interest.
- Key risks include provider shortages, regulatory impediments to accelerating growth and scalability of innovative models.



## Select M&A Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
Pending	Summit BHC	Patient Square Capital	Provider of substance use disorder and acute psychiatric care.	\$1,300
9/2/21	Cornestone of Recovery	Bradford Health Services	Substance use disorder treatment provider based in TN.	\$38
8/27/21	Acorn Health	Ontario Teachers' Pension Plan	Provider of ABA therapy for children diagnosed with ASD.	\$245
7/29/21	Mt. Sinai Wellness Center	BayMark Health Services	Residential substance use disorder treatment center in GA.	Conf.

## Select Public Trading Multiples

(\$M, except share prices)

Company	Ticker	Stock Price 9/30/21	% of 52-Week		TEV	TEV / Revenue		TEV / EBITDA	
			High	Low		LTM	NTM	LTM	NTM
Acadia Healthcare	ACHC	\$63.78	93%	228%	\$7,061	3.2x	2.9x	13.2x	11.9x
Universal Health Services	UHS	\$138.37	84%	134%	\$15,534	1.3x	1.2x	7.4x	7.3x

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

**Average 2.2x 2.1x 10.3x 9.6x**

## Brentwood Capital Advisors

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### Representative Transactions

Sell-Side

Mount Sinai

Sale to

BayMark  
HEALTH SERVICES

Sell-Side

Family Care

Recapitalized by

REVELSTOKE  
CAPITAL PARTNERS

Sell-Side

Family  
SUPPORT CENTER

Sale to

SPG

Sell-Side

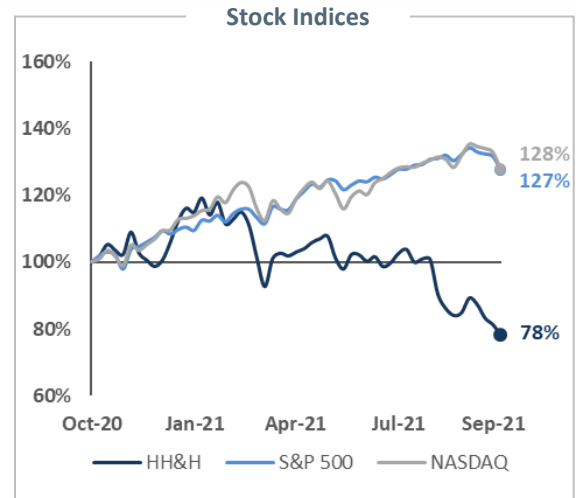
PMC

Recapitalized by

CONSONANCE CAPITAL

## BCA Market Commentary & Stock Indices Relative Performance

- 3Q21 was another active period for M&A activity in the post-acute sector. Among the group of major consolidators, LHC Group (NASDAQ: LHCG) was the most active acquiror during the quarter, completing tuck-in acquisitions in VA, IN and AR in July followed by the September acquisition of certain assets from the HCA Healthcare/Brookdale Joint Venture. The HCA/Brookdale assets, which fall outside HCA's core markets, include 23 home health locations, 11 hospice agencies, and 13 therapy agencies across 22 states that generate annualized revenue of ~\$146 million. During its 2Q21 earnings call, LHC Group increased its guidance for 2021 acquired revenue to \$350 - \$500 million (from \$150 - \$200 million). As of the HCA/Brookdale announcement in September, LHC Group had acquired or announced \$308 million in acquired revenue from M&A YTD.
- While demand for post-acute services remains strong, the tight labor market is now a well-established and significant headwind for the sector. BCA believes labor issues are likely more permanent and not transitory and could be a drag on post-acute operators' growth and profitability in the coming quarters.



## Select M&A and Financing Transactions

Date	Target	Acquiror	Target Business Description	TEV Multiple		
				TEV (\$M)	Revenue	EBITDA
9/10/21	Certain Assets from HCA HC/Brookdale JV	LHC Group	Home health, hospice and therapy serv. in 22 states	\$190	1.3x	N/A
8/30/21	Genesis HospiceCare, Saints Hospice	Charter Health Care Group	Hospice services in TX	N/A	N/A	N/A
8/17/21	Better Life Home Health	Alivia Care	Home health services in FL	N/A	N/A	N/A
8/11/21	Generations Hospice Care	Charter Healthcare Group	Home health and hospice services in TX	N/A	N/A	N/A
8/10/21	Southeastern Health Care at Home	AccentCare	Home health, hospice and therapy in PA	N/A	N/A	N/A
7/12/21	Silverado Hospice (Des Plaines, IL location)	St. Croix Hospice	Hospice services in IL	N/A	N/A	N/A
7/12/21	Signal Home Health & Hospice	Jet Health	Home health, hospice and therapy services in TX	N/A	N/A	N/A
7/7/21	Paradigm Health	Havencrest Capital Management	Hospice services in IN	N/A	N/A	N/A
7/2/21	Cavalier Healthcare Services	LHC Group	Home health services in VA	N/A	N/A	N/A
7/2/21	MSA Hospice	LHC Group	Hospice services in IN	N/A	N/A	N/A
7/2/21	Ashley County Medical Center Home Health	LHC Group	Home health services in AR	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	9/30/21	High	Low	TEV	LTM	NTM	LTM	NTM	
Addus HomeCare	ADUS	\$79.75	62%	100%	\$1,390	1.7x	1.5x	16.2x	14.0x	
Amedisys	AMED	\$149.10	46%	100%	\$5,216	2.3x	2.2x	15.3x	16.4x	
Aveanna Healthcare	AVAH	\$8.02	62%	106%	\$1,428	0.7x	0.8x	25.6x	7.0x	
Chemed	CHE	\$465.12	83%	111%	\$7,530	3.7x	3.5x	19.8x	N/A	
LHC Group	LHCG	\$156.91	66%	100%	\$4,738	2.2x	2.1x	15.0x	16.1x	
Pennant Group	PNTG	\$28.09	40%	111%	\$1,185	3.3x	2.6x	35.4x	25.0x	
<i>Note: EBITDA includes add-backs for stock-based compensation and non-recurring expenses. Data per SEC filings and PitchBook.</i>					<b>Average</b>	<b>2.3x</b>	<b>2.1x</b>	<b>21.2x</b>	<b>15.7x</b>	
					<b>Median</b>	<b>2.3x</b>	<b>2.1x</b>	<b>18.0x</b>	<b>16.1x</b>	

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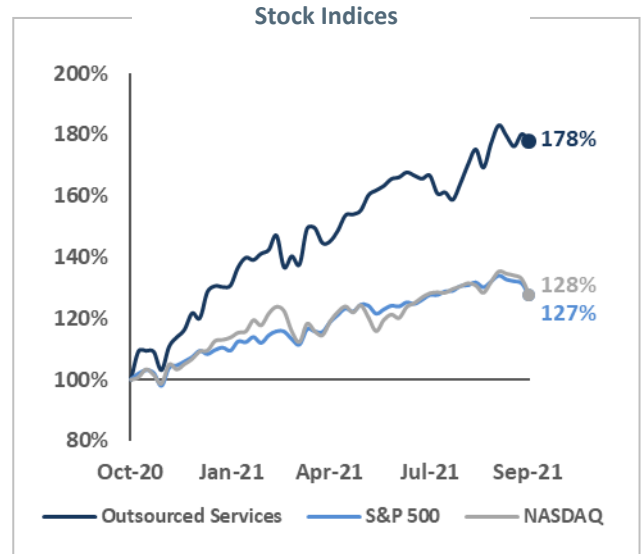
### Representative Transactions



# 3Q21 Outsourced Healthcare Services Sector Overview

## BCA Market Commentary & Stock Indices Relative Performance

- The Delta variant impacted elective surgeries and other hospital / ASC volumes in 3Q21.
- Volatility should decrease now with over 70% of American adults with at least one vaccine dose.
- Consolidators have continued an active pace of tuck-in M&A growth as independent sellers seek more certainty and platform resources post-pandemic.
- It appears the 2022 implementation of the No Surprises Act will shift leverage to payors and create rate uncertainty for some professional and technical services.



## Select M&A Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
9/27/21	OB Hospitalist Group	Kohlberg & Company	Provider of customized obstetric hospitalist programs.	N/A
9/22/21	Vantage Outsourcing	Pharos Capital	Logistics support services for cataract and other ophthalmologic procedures.	N/A
8/30/21	Medical Solutions	Centerbridge Partners, CDPQ	Staffing services for hospitals, clinics and long-term care facilities.	N/A
8/23/21	American Laboratory Trading	Heritage Global Partners	Supplier of premium refurbished lab equipment.	N/A
7/26/21	US Medical Supply	Advanced Diabetes Supply	Direct-to-consumer specialty distributor of medical supplies.	N/A
7/22/21	GIFTED Healthcare	BBH Capital Partners	Nurse staffing services for health systems and alternate site providers.	N/A
7/20/21	Foundation Radiology Group	RAYUS Radiology	Full-service radiology provider delivering on-site and tele-radiology services.	N/A
7/20/21	PartSource	Bain Capital	Online marketplace for medical equipment maintenance parts and service.	\$1,250

## Select Public Trading Multiples

(\$M, except share prices)		Stock Price			% of 52-Week		TEV / Revenue		TEV / EBITDA	
Company	Ticker	9/30/21	High	Low	TEV	LTM	NTM	LTM	NTM	
MedNax	MD	\$28.43	80%	228%	\$3,075	1.7x	1.5x	12.0x	9.8x	
Healthcare Services Group	HCSG	\$24.99	70%	117%	\$1,633	1.0x	0.9x	10.4x	11.2x	
AMN Healthcare	AMN	\$114.75	98%	205%	\$6,269	2.1x	2.1x	14.3x	14.5x	
Cross Country Healthcare	CCRN	\$21.24	97%	350%	\$887	0.8x	0.9x	12.4x	12.9x	
ASGN	ASGN	\$113.14	96%	182%	\$6,772	1.6x	1.5x	14.5x	12.2x	
<b>Average</b>						<b>1.5x</b>	<b>1.4x</b>	<b>12.7x</b>	<b>12.1x</b>	
<b>Median</b>						<b>1.6x</b>	<b>1.5x</b>	<b>12.4x</b>	<b>12.2x</b>	

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

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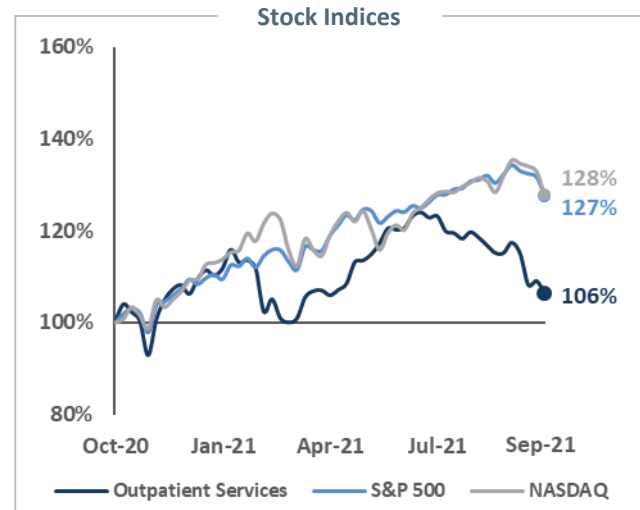
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### Representative Transactions



## BCA Market Commentary & Stock Indices Relative Performance

- The Physician Practice Management (“PPM”) and Outpatient Healthcare sectors were disrupted by the delta variant surge in 3Q21.
- Dental continues to be one of the most active segments in the PPM sector. A significant number of add on acquisitions and a few large platform deals closed during the quarter.
- Other segments that depend on surgeries should normalize during 4Q21. BCA expects the PPM segment to be very busy in 2022.
- More alternate site providers are exploring hospital joint ventures as payors and patients continue to steer encounters away from hospital settings.



## Select M&A and Financing Transactions

Date	Target	Acquirer	Target Business Description	TEV (\$M)
9/20/21	Allergy & ENT Associates	The Beekman Group	Managed services supporting a network of 16 ENT clinics in Houston, TX	N/A
9/13/21	Midwest Eye Consultants	Sentinel Capital Partners	Provider of management services for eye care practices in IN and OH	N/A
8/26/21	DECA Dental Group	The Blackstone Group	Offers operational and administrative services to dental practices	*\$502.5
8/13/21	Texan Eye Care	Comprehensive EyeCare Partners	Ophthalmic practice in Central TX with practices in Austin and Cedar Park	N/A
8/1/21	Dental 365	The Jordan Company	Dental service organization offering oral care & personalized dentistry services	N/A
7/13/21	Marietta Eye Clinic	Covenant Physician Partners	Provider of care center, cataract surgery, contact lenses, and pediatric care	N/A
7/11/21	Today's Dental Network	HealthEdge Investment Partners & Synergistic Capital Partners	Operator of multi-specialty dental practices in Central and Southwest FL	N/A

\*Estimated TEV of \$495-510MM

## Select Public Trading Multiples

(\$M, except share prices)									
Company	Ticker	Stock Price	% of 52-Week		TEV	TEV / Revenue		TEV / EBITDA	
			9/30/21	High		Low	LTM	NTM	LTM
DaVita	DVA	\$116.26	85%	144%	\$24,517	2.1x	2.1x	9.9x	8.6x
Encompass Health	EHC	75.04	84%	124%	10,866	2.2x	2.0x	10.1x	8.9x
Fresenius	FRE	48.18	85%	133%	53,406	1.2x	1.2x	6.3x	6.0x
U.S. Physical Therapy	USPH	110.60	77%	148%	1,537	3.3x	3.0x	16.1x	14.6x
Select Medical	SEM	36.17	83%	180%	8,423	1.4x	1.4x	9.7x	8.4x
Surgery Partners Inc.	SGRY	42.34	61%	203%	5,090	2.4x	2.2x	12.3x	10.2x
<b>Average</b>						<b>2.1x</b>	<b>2.0x</b>	<b>10.7x</b>	<b>9.5x</b>
<b>Median</b>						<b>2.2x</b>	<b>2.0x</b>	<b>10.0x</b>	<b>8.7x</b>

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

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