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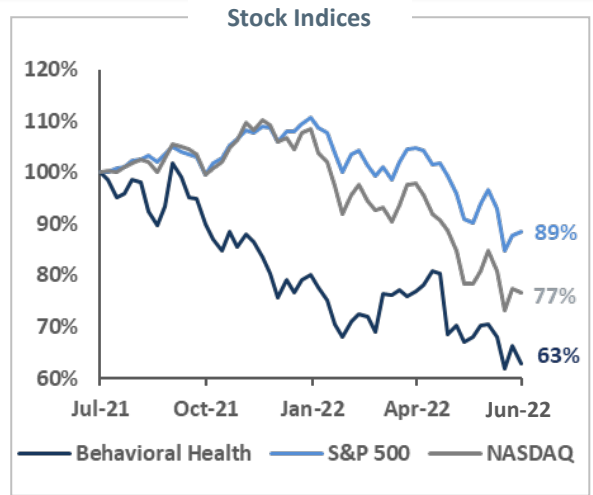
HEALTHCARE SERVICES  
SECTOR UPDATE  
2Q22

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August 2022  
[www.brentwoodcapital.com](http://www.brentwoodcapital.com)

## BCA Market Commentary & Stock Indices Relative Performance

- 20% of Americans experience a behavioral health issue annually and over 50% of adults will experience mental health issues during their lifetime; however, out-of-pocket cost and lack of insurance coverage remain barriers for those seeking treatment.
- The average age of a psychiatrist is late 60's, and only 2-3% of medical students enter the field. In a survey of 2,000 psychiatrists, 78% self-reported burnout and 16% screened positive for major depression.
- Escalating expenses, particularly labor costs, will continue to hamper near-term performance in the sector; however, long-term trends remain positive as demand for mental health services continues to grow and will do so for the foreseeable future.
- Telehealth valuations and growth have been hit the hardest, coming off highs during the height of the pandemic.
- On 7/21/22, Amazon (NASDAQ: AMZN) announced it signed a definitive agreement to acquire One Medical (NASDAQ: ONEM) for ~\$3.9 billion.



## Select M&A and Financing Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
5/23/22	The Hope House	Traverse Point Partners	Inpatient, residential addiction treatment provider	N/A
5/16/22	Success TMS	Greenbrook TMS	FL-based provider of TMS therapy	\$27
5/4/22	Concert Health	Healthy Ventures	Provider of behavioral health services for primary care	\$212
5/3/22	Ellie Mental Health	Princeton Equity Group	Provider of individual and family mental health services	N/A
4/19/22	Nue Life	11-11 Ventures	Tech-enabled provider of at-home ketamine therapy	\$103
4/14/22	Iris Telehealth	Columbia Pacific Advisors	Provider of telepsychiatry services intended to expand access to care	\$190

## Select Public Trading Multiples

(\$M, except share prices)

Company	Ticker	Stock Price 6/30/22	% of 52-Week		TEV	TEV / Revenue		TEV / EBITDA	
			High	Low		LTM	NTM	LTM	NTM
Acadia Healthcare	ACHC	\$67.63	88%	135%	\$7,632	3.3x	2.9x	13.3x	11.7x
American Well	AMWL	\$4.32	34%	171%	\$465	1.8x	1.6x	N/M	N/M
Lifestance	LFST	\$5.56	19%	117%	\$1,884	2.6x	2.0x	N/M	N/M
One Medical	ONEM	\$7.84	23%	132%	\$1,574	1.9x	1.4x	N/M	N/M
Talkspace	TALK	\$1.70	20%	165%	\$23	N/M	N/M	N/M	N/M
Universal Health Services	UHS	\$100.71	61%	102%	\$12,993	1.0x	1.0x	6.8x	6.7x

Note: EBITDA includes add-backs for stock-based compensation and non-recurring expenses. Data per SEC filings and PitchBook. Talkspace has a low EV due to its high cash balance and lack of debt.

**Average**    2.1x    1.8x    10.0x    9.2x  
**Median**    1.9x    1.6x    10.0x    9.2x

## Brentwood Capital Advisors

### Industry Banker

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### Representative Transactions

Sell-Side  
**Project Antelope**  
 Sale to  
**PE Buyer**

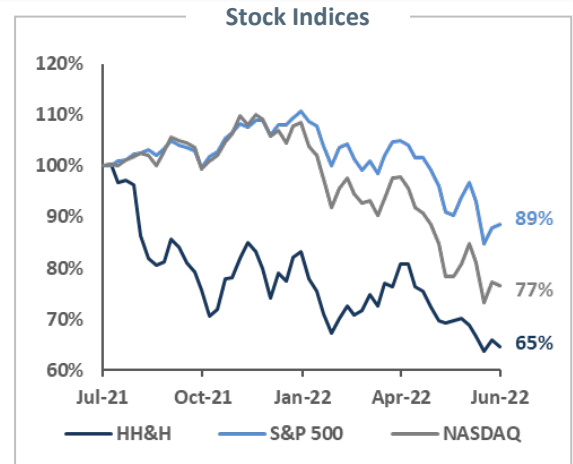
Sell-Side  
  
 Sale to

Sell-Side  
  
 Recapitalized by

Sell-Side  
  
 Sale to

## BCA Market Commentary & Stock Indices Relative Performance

- The Home Health & Hospice sector saw a steady stream of M&A activity in 2Q22. At the half-way point of 2022, BCA believes sector deal activity for the full-year will be down from a record-setting year in 2021 but 2022 should be a solid year, nonetheless.
- Most of the 2Q22 deal activity was driven by industry consolidators completing small tuck-in acquisitions. The most notable deal in the quarter was private equity firm Clayton, Dubilier & Rice's acquisition of the Hospice and Personal Care divisions of Kindred at Home (a Humana Inc. subsidiary). Under the agreement, Humana will divest a 60 percent interest in the Kindred at Home divisions and receive cash proceeds of approximately \$2.8 billion, reflecting an enterprise valuation of \$3.4 billion and a multiple of approximately 12x forecasted Adjusted EBITDA in 2022. The transaction is expected to close in the third quarter of 2022.
- Labor headwinds have not subsided as quickly as expected, and we expect this challenge will continue to weigh on revenue and profitability for all post-acute providers.
- CMS will increase hospice per diem payments by 3.8% in 2023; this reimbursement increase is larger than the 2.7% CMS initially proposed for next year which many providers felt was too small in light of rising expenses.
- CMS is proposing a -4.2% net rate update for home health in FY 2023. Similar to industry dissent over PDGM's behavioral assumptions, we expect strong pushback from operators and their trade groups. Thus, we do not view this proposal as final.



## Select M&A and Financing Transaction

Date	Target	Acquiror	Target Business Description	TEV (\$M)	TEV Multiple	
					Revenue	EBITDA
6/1/22	On My Care	Excelin Health	Home health services in CA	N/A	N/A	N/A
6/1/22	CV Home Health	HomeFirst Home Healthcare	Home health services in AL	N/A	N/A	N/A
6/1/22	Lexington Hospice Care	St. Croix Hospice	Hospice services in IL	N/A	N/A	N/A
5/24/22	Hospice of the Carolina Foothills	Agape Care Group	Hospice services in NC	N/A	N/A	N/A
5/18/22	Above & Beyond	Trinity Health at Home	Home health and hospice services in IA	N/A	N/A	N/A
5/1/22	First Choice Home Health	Pennant Group	Home health services in MT	N/A	N/A	N/A
4/28/22	Calvert Hospice	Hospice of the Chesapeake	Hospice services in MD	N/A	N/A	N/A
4/21/22	Kindred at Home (Hospice and Personal Care)	Clayton, Dubilier & Rice	Hospice services with 775 locations	\$3,400	N/A	12.0x
4/20/22	Hospice Select	Bristol Hospice	Hospice services in TX	N/A	N/A	N/A
4/1/22	Texas Assets of Abiding Home Health	Choice Health at Home	Home health services in TX	N/A	N/A	N/A

## Select Public Trading Multiples

Company	Ticker	Stock Price 6/30/22	% of 52-Week		TEV	TEV / Revenue		TEV / EBITDA		
			High	Low		LTM	NTM	LTM	NTM	
Addus HomeCare	ADUS	\$83.28	77%	121%	\$1,432	1.6x	1.5x	14.2x	13.4x	
Amedisys	AMED	\$105.12	38%	103%	\$3,969	1.8x	1.6x	14.3x	13.8x	
Aveanna Healthcare	AVAH	\$2.26	18%	108%	\$1,660	1.0x	0.9x	22.4x	8.9x	
Chemed	CHE	\$469.39	87%	116%	\$7,772	3.6x	3.5x	16.8x	16.8x	
Pennant Group	PNTG	\$12.81	30%	113%	\$743	1.8x	1.6x	29.7x	20.4x	
<b>Note: EBITDA includes add-backs for stock-based compensation and non-recurring expenses. Data per SEC filings and PitchBook.</b>						<b>Average</b>	<b>2.0x</b>	<b>1.8x</b>	<b>19.5x</b>	<b>14.7x</b>
						<b>Median</b>	<b>1.8x</b>	<b>1.6x</b>	<b>16.8x</b>	<b>13.8x</b>

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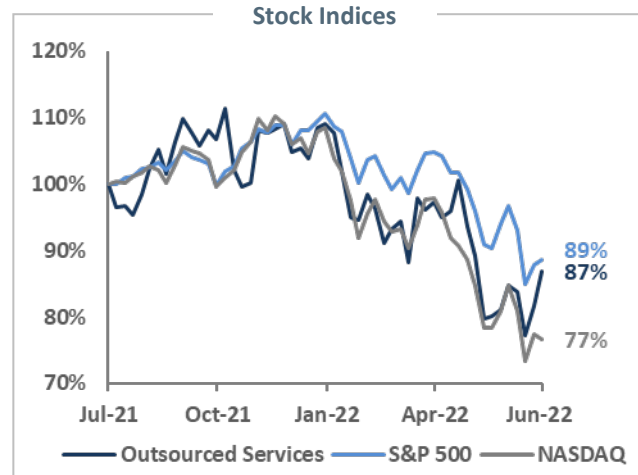
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### Representative Transactions



## BCA Market Commentary & Stock Indices Relative Performance

- The No Surprises Act is working its way through the industry, and the impact should be more visible by year end.
- Hospital and case volumes have been impacted by differing Covid variants over the last twelve months. Second half of 2022 should create a new baseline.
- Staffing remains a challenge for hospitals and outsourced clinical services although there does seem to be a light at the end of the tunnel.



## Select M&A and Financing Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
6/1/22	Enterprise Medical Recruiting	ARR Healthcare	National physician search and placement firm	N/A
5/31/22	Post Acute Healthcare	Asenda Health	Outsourced physician services with 18 SNF and LTC facilities in WA and OR	N/A
5/17/22	Connetics USA	AMN Healthcare	International nurse and allied recruitment company	N/A
5/13/22	PathGroup	GTCR	Provider of comprehensive pathology services	\$1,200
5/10/22	FleetNurse	HCAP Partners	Provider of on-demand healthcare staffing solutions	N/A
4/21/22	SoCal Anesthesia Solutions	Synergy Health Partners	Anesthesia provider in Southern CA with 30 anesthesiologists	N/A
4/19/22	Canadian Health Care Agency	Premier Health	Provider of nursing services to indigenous communities in Canada	\$45
4/18/22	Epic Staffing Group	The Pritzker Organization	Provider of staffing services for life sciences and healthcare companies	N/A
4/6/22	Explora BioLabs	Charles River Labs	Provider of contract vivarium research services	\$295

## Select Public Trading Multiples

(\$M, except share prices)		Stock Price	% of 52-Week			TEV / Revenue			TEV / EBITDA	
Company	Ticker	6/30/22	High	Low	TEV	LTM	NTM	LTM	NTM	
AMN Healthcare	AMN	\$109.71	85%	133%	\$5,957	1.3x	1.5x	7.9x	8.8x	
ASGN	ASGN	\$90.25	68%	115%	\$5,396	1.3x	1.1x	10.1x	8.0x	
Cross Country Healthcare	CCRN	\$20.83	69%	146%	\$973	0.5x	0.5x	4.2x	4.2x	
Healthcare Services Group	HCSG	\$17.41	54%	118%	\$1,131	0.7x	0.6x	17.5x	15.4x	
Pediatric Medical Group <sup>(1)</sup>	MD	\$21.01	59%	122%	\$2,382	1.2x	1.1x	8.1x	8.6x	
<b>Note: EBITDA includes add-backs for stock-based compensation and non-recurring expenses.</b>						<b>Average</b>	<b>1.0x</b>	<b>1.0x</b>	<b>9.6x</b>	<b>9.0x</b>
<b>Data per SEC filings and PitchBook.</b>						<b>Median</b>	<b>1.2x</b>	<b>1.1x</b>	<b>8.1x</b>	<b>8.6x</b>

(1) Pediatric Medical Group was formerly known as Mednax.

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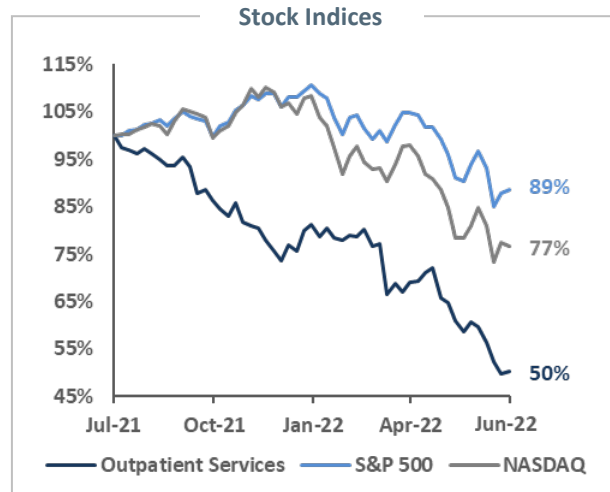
### Representative Transactions



# 2Q22 Outpatient Healthcare Services Sector Overview

## BCA Market Commentary & Stock Indices Relative Performance

- The Covid-19 Pandemic created momentum for consolidation within the Physician space. Solo practitioners have been on the decline since the mid 1990's.
- Dental, in particular, has seen a quick rebound in M&A volume. There are more than 100 private equity backed DSO's who will be looking to consolidate practices in their markets.
- Orthopedics, Vision, Dermatology and Cardiovascular care should see deal activity pick up the second half of 2022.



## Select M&A and Financing Transactions

Date	Target	Acquiror	Target Business Description	TEV (\$M)
6/23/22	Dentologie	Undisclosed	Provider of dental services in the Chicago, IL area	\$50
6/13/22	Orthopaedic Specialists of Austin	Trivest Partners	TX-based operator of orthopedic specialists	\$26
6/7/22	South Georgia Dental Management	Thurston Group	GA-based provider of dental management services	\$100
6/1/22	Healthcare Associates of Texas	Webster Equity Partners	TX-based provider of primary care and family medicine services	\$300
5/24/22	Cenegenis	Primetime Partners	Operator of clinics intended to slow aging and prevent diseases	\$155*
4/11/22	Specialty Pharmacy Nursing Network	Option Care Health	Provider of home infusion nursing and therapy management services	\$60

\*Estimated TEV

## Select Public Trading Multiples

(\$M, except share prices)		Stock Price		% of 52-Week		TEV / Revenue		TEV / EBITDA	
Company	Ticker	6/30/22	High	Low	TEV	LTM	NTM	LTM	NTM
DaVita	DVA	\$79.96	59%	107%	\$20,072	1.7x	1.7x	8.2x	7.7x
Encompass Health	EHC	\$44.57	65%	106%	\$7,882	1.5x	1.4x	7.1x	6.6x
Fresenius	FRE	\$30.19	54%	108%	\$41,969	1.0x	1.0x	5.5x	4.8x
Select Medical	SEM	\$23.62	55%	110%	\$7,873	1.3x	1.2x	10.6x	8.4x
Surgery Partners	SGRY	\$28.92	43%	108%	\$5,373	2.3x	2.0x	11.8x	9.8x
U.S. Physical Therapy	USPH	\$109.20	89%	129%	\$1,612	3.1x	2.8x	17.4x	14.4x

Note: EBITDA includes add-backs for stock-based compensation and non-recurring expenses.

Data per SEC filings and PitchBook.

**Average**    1.8x    1.7x    10.1x    8.6x  
**Median**    1.6x    1.6x    9.4x    8.0x

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### Representative Transactions

Sell-Side	Sell-Side
 Sell to 	 Sell to 