



HEALTHCARE

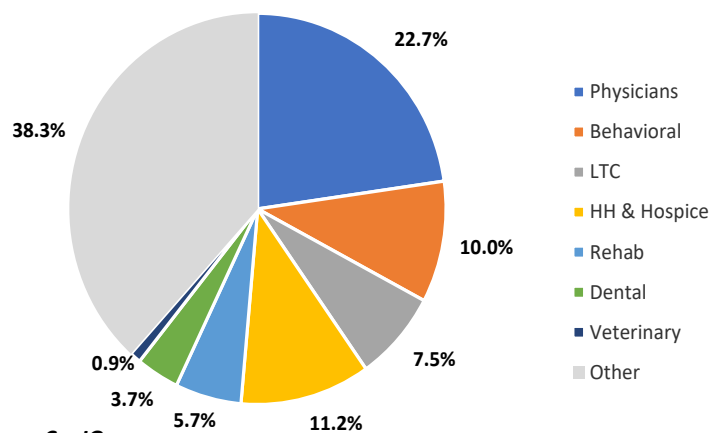
2021 ANNUAL REPORT

Back to Normal?

Healthcare M&A transaction volume hit a record pace during the first half of 2021, as a combination of delayed transactions following the pandemic and fear of an increase in capital gains tax rates motivated both buyers and sellers. As those pressures abated mid-year, transaction volume eased a bit in the third quarter, but has since returned to its long-term upward trend. In fact, transactions involving Providers & Services were at their highest level ever in the fourth quarter, led by Physician, Home Health & Hospice, and Behavioral Health deals.

As illustrated on the final page of this report, valuation multiples fell off a full turn of EBITDA in 2021, dropping to 11.6x, after a three-year run of at least 12.7x. We attribute this drop to ongoing difficulty with the supply chain and the highest inflation in nearly 40 years.

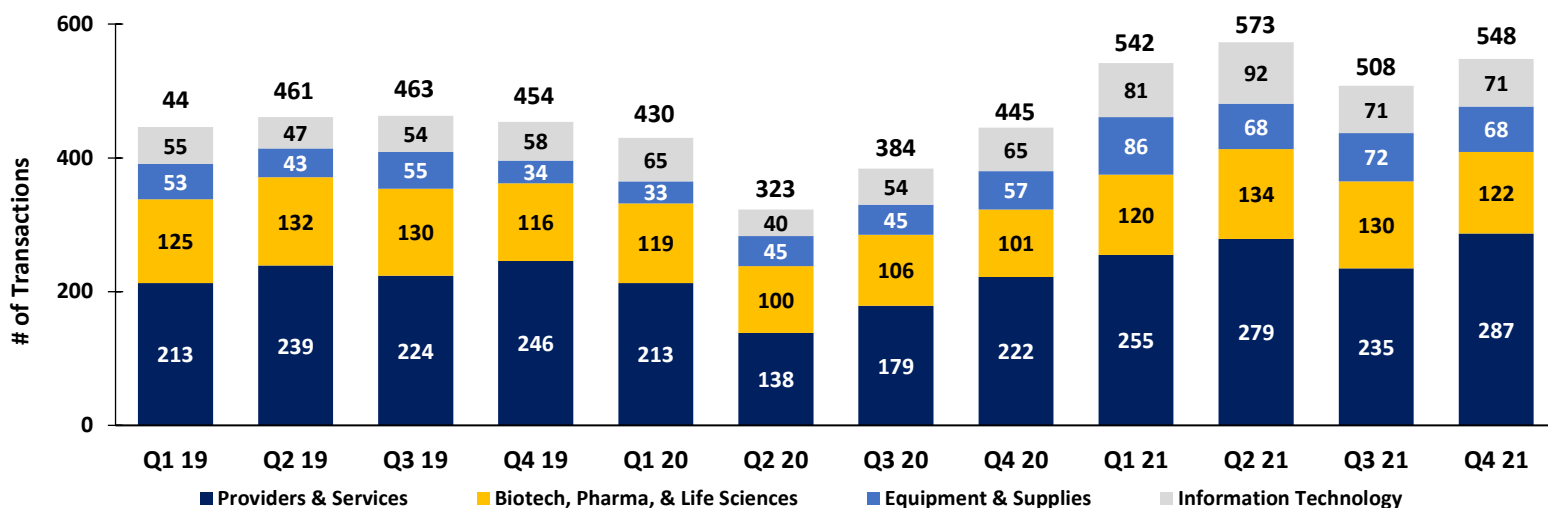
2021 Providers & Services Transactions



Source: CapIQ

While we expect these challenges to persist in 2022, likely exacerbated by the war in Ukraine, the attributes driving healthcare M&A will also persist. Therefore, we anticipate strong M&A activity in 2022, but with declining valuations.

Healthcare Transactions by Sector, by Quarter

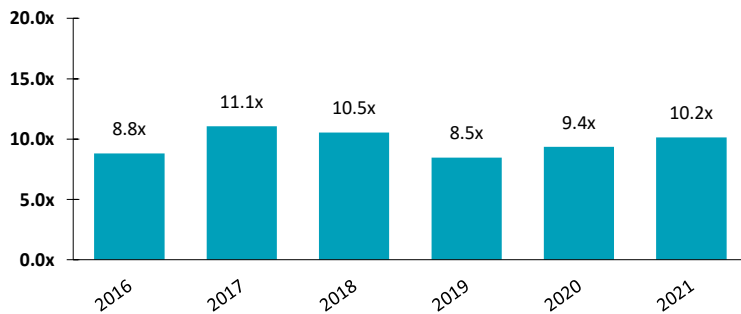


Source: CapIQ

Physician Practices Sector Profile

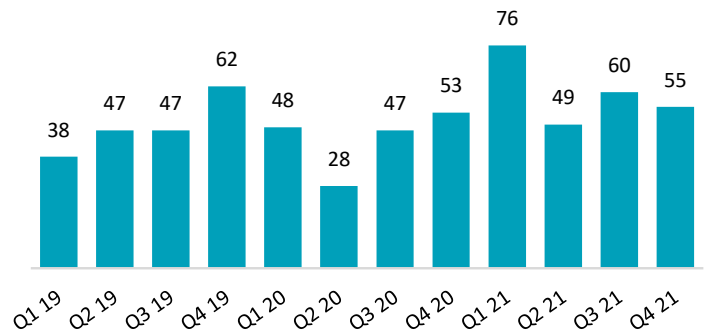
2021 was a banner year for physician practice M&A, as long-established platforms in dermatology and ophthalmology continued adding practices across the country. The comparatively young GI and ENT subsectors also experienced robust deal activity in 2021 with Audax's Gastro Health and Frazier's United Digestive leading the way. We've added plastic surgery to our report, not because of the announced transactions below, but because we are aware of several recently formed platforms aggressively pursuing deals. In general, we expect deal activity and valuation multiples for physician practices to remain strong through 2022.

Physician Practice Public Company EV/EBITDA



Source: CapIQ

Physician Practice M&A Transaction Volume



Source: CapIQ

Notable Physician Practice Transactions

Date Closed	Buyer / Investor	Target	Description
Dermatology			
12/13/2021	ADCS Clinics, LLC	Florida Skin Center, Inc.	Medical and cosmetic dermatology in Fort Myers, FL
12/07/2021		Greenville Dermatology, LLC	Cosmetic dermatology in Greenville, SC
11/23/2021		MH Sub I (The Skin Trust)	Dermatological care services in Greenville, SC
10/29/2021	Chicago Pacific Founders	Pinnacle Dermatology, LLC	Medical dermatology, dermatologic surgery, cosmetic dermatology, plastic surgery, and telemedicine; HQ in Brentwood, TN
10/07/2021	Schweiger Dermatology Group, PLLC	The Dermatology Group, P.C.	General and cosmetic dermatology in West Orange, NJ
10/01/2021		Warmuth Institute of Dermatology	Dermatology services; located in Elmer, NJ
Gastroenterology			
12/31/2021	Gastro Health (Audax Private Equity)	Gastro. Associates of Pensacola	GI practice in north Florida
12/31/2021		Optimal Digestive Care	GI practice in Frederick, MD
12/01/2021		Digestive Care Center	GI practice in North Miami, FL
10/01/2021		Gastro-Intestinal Associates Inc.	GI practice in Lima, OH
12/14/2021	United Digestive (Frazier Management)	Gastro. Assoc. of Southwest Florida	GI practice in Ft. Myers, FL
12/07/2021		Digestive Care Physicians	GI practice in Johns Creek, GA
11/02/2021		DeKalb Gastroenterology Associates	GI practice in metro Atlanta, GA
10/12/2021		Associates in Digestive Health	GI practice in Cape Coral and Ft. Myers, FL
12/07/2021	GI Alliance (Waud Capital Partners)	E. Valley Gastro. & Hepatology Assoc	GI practice in Chandler, AZ
10/11/2021		Gastro. Associates of Florida	GI practice in Atlantis and Wellington, FL
10/15/2021	Covenant Physician Partners, Inc. (KKR & Co.)	Gastroenterology Associates, LLC	GI practice in Casper, WY

Notable Physician Practice Transactions (Cont.)

Date Closed	Buyer / Investor	Target	Description
Ophthalmology / Optometry			
12/31/2021	Retina Consultants of America (Webster Equity Partners)	Jeremiah Brown, JR., M.D.	Retina specialty practice in San Antonio, TX
12/10/2021		Mississippi Retina Associates	Retina specialty practice in Jackson, MS
11/03/2021		Retina Associates of Utah	Retina specialty practice in Provo, UT
12/14/2021	Atlantic Vision Partners (Sheridan Capital Partners)	Mid Atlantic Eyecare Hanover Family Eyecare Dominion Eye Associates	Medical and surgical eye care services in Chesapeake, VA Eye care services and lenses/frames in Mechanicsville, VA Ophthalmology and optometry clinics in Midlothian, VA
12/08/2021	Midwest Vision Partners, LLC (Alpine Management Services)	Eye Care, P.A.	Doing business as Discover Vision Centers; located in Independence, MO
12/07/2021	VSP Ventures LLC	Eyecenter Optometric, Inc.	Group practice providing medical eye care services in Citrus Heights, CA
Otorhinolaryngology (ENT)			
12/20/2021	B-FLEXION Group	Allergy Partners, P.A.	Network of specialty clinics that offer healthcare services for asthma and allergy problems; based in Asheville, NC
12/20/2021	Elevate ENT Partners	Orlando Ear, Nose & Throat, P.A.	Provides otolaryngology health care services across Florida and Texas
11/19/2021	SCP ENT and Allergy Services LLC (Shore Capital Partners)	Center for Allergy and Asthma of Georgia, P.C.	Services to patients suffering from asthma, allergies, sinus problems, and related pulmonary conditions; based in Villa Rica, GA
11/18/2021	ENT&C Management LLC (Harvey & Company)	Suburban Otolaryngology	Offers ears, nose, and throat (ENT) medical and surgical services; located in Berwyn, IL
Plastic Surgery			
10/18/2021	Laser MD Medspa, LLC (Potomac Equity Partners)	Young Medical Spa	Offers aesthetic treatments that include body contouring, skin rejuvenation treatments, cosmetic injectables, and facial contouring procedures; based in Center Valley, PA
10/05/2021	Pinnacle Dermatology, LLC	Omni Cosmetic, LLC	Offers plastic surgery and cosmetic services; based in Wayzata, MN
Urology			
11/15/2021	Solaris Health, LLC (Lee Equity Partners)	Colorado Springs Urological Associates	Operates healthcare facilities that provide urologic care services in Colorado
11/09/2021		Michigan Institute of Urology P.C.	Multispecialty urology practice in Michigan; based in Saint Clair Shores, MI

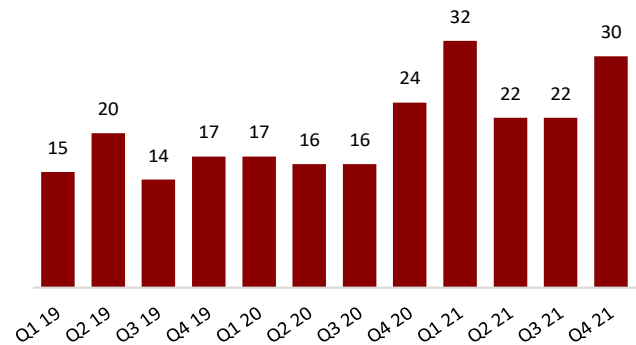
Behavioral Health Sector Profile

Behavioral Health continues to be an active sector for M&A, with over 100 transactions recorded in 2021. Of those, 44 were treatment centers for addiction, a trend only magnified by the pandemic. General mental health providers accounted for nearly 30 additional transactions, a significant increase over prior years. Transactions involving clinics serving children with autism or developmental disabilities were also favored targets for acquisition, with 25 deals completed in 2021. We expect this focus on higher-margin niche services to continue; however, given the importance of integrating behavioral health with medical care to maintain good community health at a reasonable cost, we also expect to see more health systems acquire or partner with mental health clinics.

Notable Behavioral Health Transactions

Date Closed	Buyer / Investor	Target	Description
Addiction			
12/21/2021	FFL Partners, LLC	Community Medical Services Holdings	Offers medication assisted treatment programs for patients suffering from substance use disorders; HQ in Scottsdale, AZ
12/21/2021	BayMark Health Services (Webster Equity)	Granite Recovery Centers	Addiction treatment and recovery centers
12/03/2021		Polaris Renewal Svcs in W PA	Opioid Treatment Programs for adults
12/08/2021	Pyramid Healthcare, Inc.	The Atlanta Addiction Recovery Center / Bluff Plantation	Addiction treatment centers
11/30/2021	BrightView Holdings, Inc.	Right Path Treatment Centers	Addiction treatment centers
11/17/2021	Odyssey Behavioral Healthcare (The Carlyle Group)	CIVIQ Health, LLC	Drug and alcohol abuse, and mental health treatment facilities
Autism			
10/15/2021	Hopebridge, LLC (Arsenal Capital Partners)	Autism in Motion Clinics	Offers applied behavior analysis therapy
Eating Disorder			
10/05/2021	Apax Partners LLP	Eating Recovery Center	Provides eating disorder treatment services to female and male adults, adolescents, and children; HQ in Denver, CO
I/DD			
11/16/2021	H2 Health (Grant Avenue Capital)	Great Strides Rehabilitation	Provides care to children of all ages with mental and physical developmental disabilities; based in Jacksonville, FL
Mental Health / Psychiatry			
12/16/2021	Discovery Behavioral Health, Inc. (Webster Equity)	AwakeningsKC Clinical Neuroscience Institute	Offers adult outpatient mental health programs; based in Prairie Village, KS
12/08/2021	MindPath Care Centers, PLLC (Centerbridge Partners)	Four outpatient offices of Vertava Health	Outpatient treatment offices
12/01/2021		Metropolitan Neuro Behavioral Institute	Patient-centered psychiatric services
10/27/2021	Revitalist Lifestyle and Wellness Ltd.	Ketamine clinic in FL	Ketamine clinic in Jacksonville, FL
10/07/2021		Ketamine clinic in VA	Ketamine clinic in Richmond, VA

Behavioral Health Transactions by Quarter

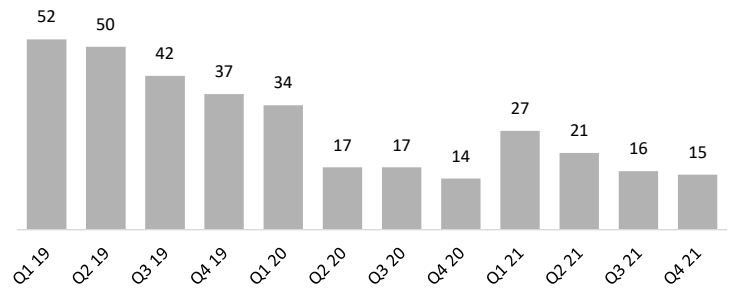


Source: CapIQ

Long Term Care Sector Profile

M&A activity in the Long-Term Care sector had spiked to over 170 transactions in 2019 as smaller providers sought a safe haven in advance of the implementation of the new Medicare Patient-Driven Payment Model (PDPM). Transaction volumes dropped sharply in 2020 as the tragic impact of COVID-19 on senior facilities filled media reports daily. The after-effects of the pandemic, including staff shortages and continuing concerns over infection control, have kept census figures low. This in turn has caused transaction volume to remain depressed; and we anticipate it may take a year or more to reach the 2018 activity, let alone the level seen in 2019.

Long Term Care Transactions by Quarter



Source: CapIQ

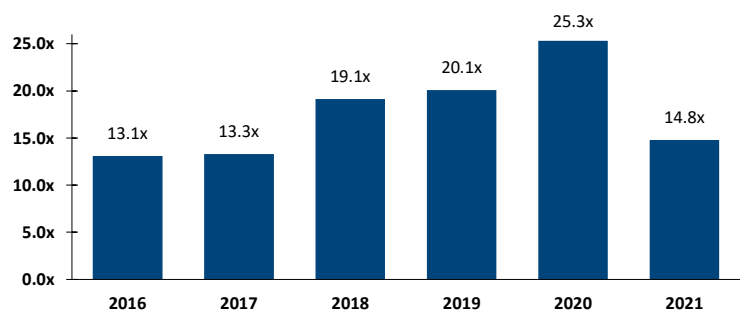
Notable Long-Term Care Transactions

Date Closed	Buyer / Investor	Target	Description
12/16/2021	Sonida Senior Living, Inc.	Assisted living	Two Senior Living Communities in Indianapolis, IN
12/09/2021	Assisted 4 Living, Inc.	Grace Care Centers	Three 5-star CMS quality rated skilled nursing facilities
11/05/2021	Sinceri Senior Living	Assisted living	Eight Senior Living Facilities Located in North Carolina and South Carolina
10/04/2021	The Ensign Group, Inc.	Two skilled nursing centers in TX and one in ID	Skyline Transitional Care Park Village Healthcare and Rehabilitation River Pointe of Trinity Healthcare and Rehabilitation Center

Home Health & Hospice Sector Profile

Home Health public company valuation multiples returned to earth in 2021 after a stratospheric climb over the preceding three years. Despite this significant decline, they remain favorable relative to other healthcare service providers (see our comparison on page 8). Investors that continue to place a premium on services that lower the total cost of care, are well-positioned to benefit from the demographic tide of baby boomers hitting their 70s, and cater to patients seeking alternatives to a nursing home. We anticipate transaction volume will soften a bit in 2022, but wouldn't be surprised if average deal size increased.

Home Health & Hospice Public Company EV/EBITDA



Source: CapIQ

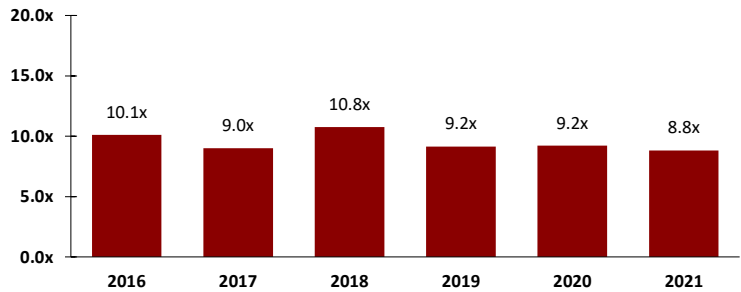
Notable Home Health & Hospice Transactions

Date Closed	Buyer / Investor	Target	Description
12/14/2021 12/01/2021 10/12/2021	Traditions Health, LLC (Dorilton Capital Advisors)	Home health and hospice providers	Heritage Hospice & Palliative Care Homestead Hospice and Palliative Care Family Comfort Hospice & Palliative Care
11/15/2021 10/01/2021	Aveanna Healthcare, LLC	Home health providers	Dunn & Berger, Inc. Comfort Care Home Health
10/19/2021	Ridgemont Equity Partners	Agape Care Group	Provides hospice and palliative services in the Southeast; based in Spartanburg, SC

Rehabilitation Sector Profile

Following a pandemic-induced drop-off in deal volume in 2020, rehab transactions rebounded strongly in 2021 with Physical Rehabilitation Network, PT Solutions, and ATI Physical Therapy being the most active acquirers. As predicted in last year's report, transaction volume accelerated throughout the year, mirroring the recovery in clinic volumes as orthopedic practices emerged from the pandemic. We expect transaction volume to remain robust in the first half of 2022, before settling down to its long-term average later in the year; and we anticipate valuation multiples to follow suit.

Rehabilitation Public Company EV/EBITDA



Source: CapIQ

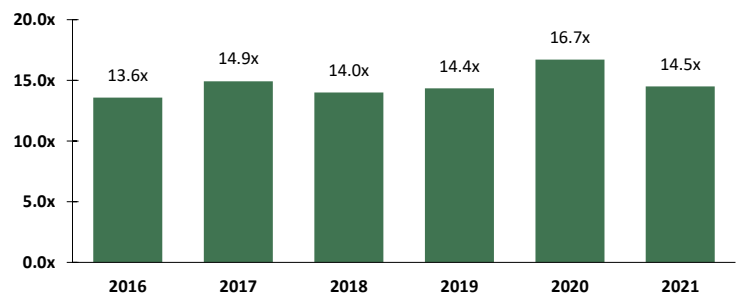
Notable Rehabilitation Transactions

Date Closed	Buyer / Investor	Target	Description
12/29/2021	Physical Rehabilitation Network, LLC (Gryphon Investors)	Bonney Lake Physical Therapy & Hand Rehab	Offers hand-to-shoulder, physical, and massage therapy services; based in Bonney Lake, WA
12/28/2021	Select Medical Corporation (Blackrock)	Concentra Group Holdings	Provider of occupational medicine and urgent care services
12/20/2021 12/20/2021 11/02/2021 11/02/2021	PT Solutions LLC	Real Rehab Movement Systems PT New Heights PT Plus JBIC Inc.	Physical therapy and wellness services in Seattle, WA Physical therapy services in Seattle, WA Physical therapy services in Portland, OR Physical and occupational therapy services in Stockton, CA
12/09/2021 11/18/2021 10/26/2021	ATI Physical Therapy, Inc.	Prohealth Rehabilitation Excel-R-ation PT Hope Rehab Katy	Physical therapy and fitness services in Auburn, MI Physical therapy services in Holland, MI Physical therapy, aquatics, and sports rehab in Katy, TX

Equipment & Supplies Sector Profile

Companies involved in the manufacture and distribution of medical equipment and supplies accounted for more than one of every eight healthcare transactions over the past 12 months versus approximately one in every ten transactions over the previous two years. Public company valuation multiples also remain strong, reflecting continued robust demand for products despite disruption to the supply chain due to the pandemic. We expect transaction volume in this sector to continue accelerating in 2022 before leveling off in 2023. Valuation multiples should also remain strong for the foreseeable future.

Equipment & Supplies Public Company EV/EBITDA



Source: CapIQ

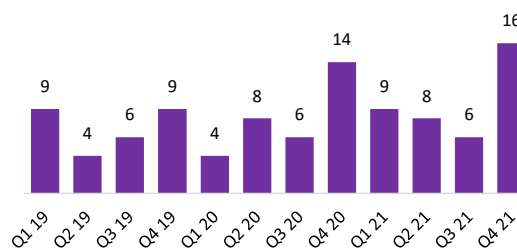
Notable Equipment & Supplies Transactions

Date Closed	Buyer / Investor	Target	Description
12/23/2021	Quidel Corporation	Ortho Clinical Diagnostics Holdings	Vitro diagnostics, contract manufacturing activities, and orthocare services
12/21/2021 12/02/2021	Becton, Dickinson and Co.	Scanwell Health, Inc. Venclose, Inc.	Designs and develops a urine testing kit Endovenous radiofrequency ablation therapy machine
12/16/2021	Owens & Minor, Inc.	American Contract Systems, Inc.	Provides kitting and sterilization services for Custom Procedure Tray (CPT) solutions
12/03/2021 11/16/2021	The Carlyle Group Inc. Resonetics, LLC	Resonetics, LLC Hudson Medical Innovations	Laser micro manufacturing Medical device contract manufacturer

Dental Practice Sector Profile

A rush of transactions closing in the fourth quarter of 2021 pushed deal volume to its highest level in several years. Private equity-backed DSOs continue to drive transaction volume, capitalizing on the industry's still highly fragmented nature. This fragmentation level, combined with consumer spending on dental services—which is expected to grow at nearly 5% per year through 2025—creates a strong landscape for continued M&A activity in the dental sector. Specialty practices, such as those offering endodontics, have been especially sought after as of late, and are expected to remain attractive throughout 2022.

Dental Practice Transactions by Quarter



Source: CapIQ

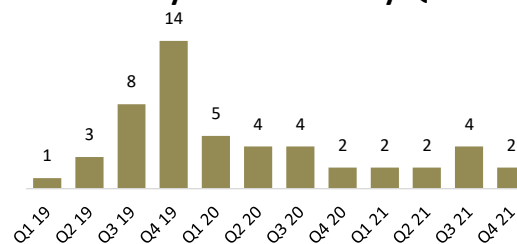
Notable Dental Practice Transactions

Date Closed	Buyer / Investor	Target	Description
12/22/2021	Guardian Dentistry Partners	Gendus Dental Partners	Dental practice management company in Montgomery, AL
12/13/2021	Dental365	Beacon Dental Health Management	Provides dental support services; based in Boston, MA
11/09/2021	Quad-C Management, Inc.	U.S. Endodontics Partners	Management services group for endodontics
11/08/2021	Oak Hill Capital Partners	US Oral Surgery Management, LLC	Network of clinical practices for dental surgery
10/07/2021	Southern Orthodontic Partners, LLC	Three orthodontic practices	Amazing Smiles Orthodontics Alizadeh & Schreiner Orthodontics Unger Orthodontics

Veterinary Medicine Sector Profile

While publicly announced veterinary deals remain low (see graphic to the right), most transactions involving single site veterinary practices go unreported, disguising a very active market. According to the ASPCA, more than 23 million households adopted a pet during the pandemic, creating a significant tailwind for the industry. This has increased already high valuation multiples, with 10x EBITDA being common for individual practices and 25x for large companies. While we expect deal activity to remain high, we also expect valuation multiples for smaller practices to begin declining, perhaps rapidly, later in 2022.

Veterinary Transactions by Quarter



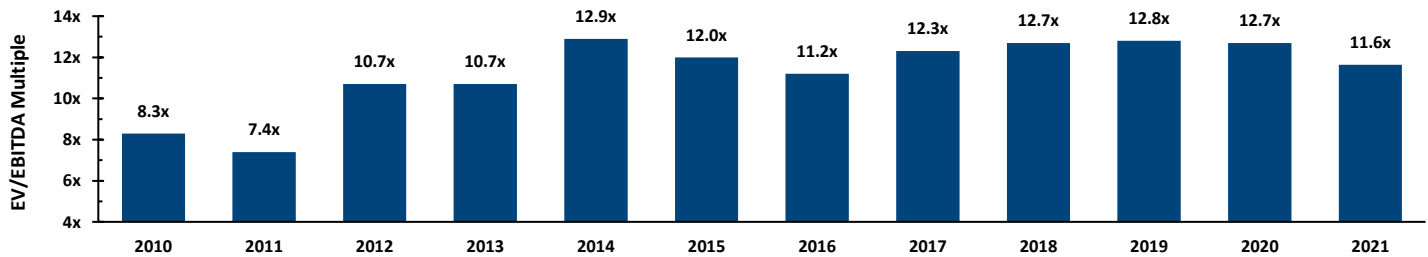
Source: CapIQ

Notable Veterinary Medicine Transactions

Date Closed	Buyer / Investor	Target	Description
12/09/2021	Neogen Corporation	Genetic Veterinary Sciences, LLC	Provides companion animal owners, breeders, and veterinarians genetic information
12/06/2021	Audax Management Company, LLC	Veterinary Practice Partners, LLC	Provides veterinary practice management services
08/16/2021	National Veterinary Associates, Inc.	Ethos Veterinary Health LLC	Owns and operates veterinary hospitals in the United States
08/12/2021	MedVet Associates, LLC	Veterinary Eye Institute, Inc.	Provides medical and surgical eye care for pets
04/13/2021		Veterinary Surgical Group	Surgical care services for pets
03/16/2021	Oak Hill Capital Partners	American Veterinary Group LLC	Provides business support services for veterinarians

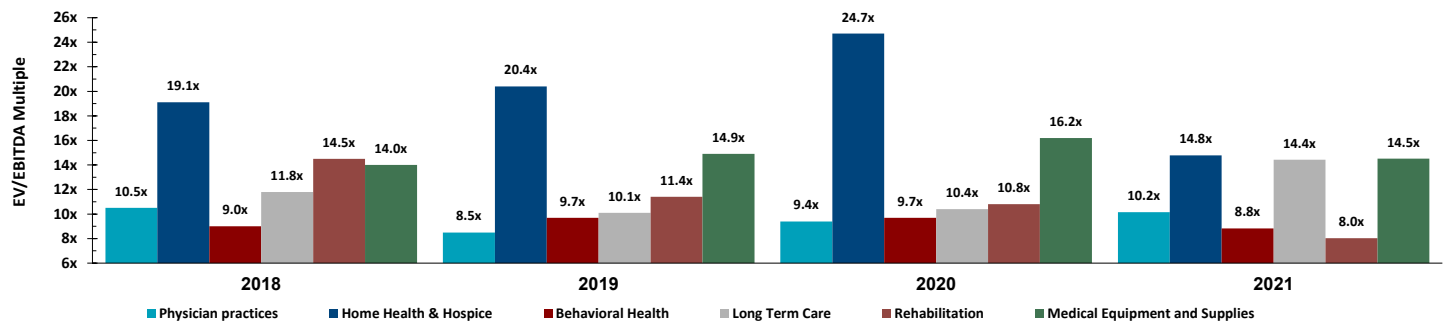
Public Company Comparisons Trading Multiples

Healthcare Industry Public Comparables: Annual EV/EBITDA Multiples



Source: CapIQ, public trading data as of December 31, 2021

Healthcare Sub-Sector Public EV/EBITDA Multiples



Source: CapIQ, public trading data as of December 31, 2021

Representative EdgePoint Healthcare Transactions

 has been acquired by 	 has been acquired by 	 has been acquired by 	 has been acquired by 	 has been acquired by
 has completed a capital raise	 has been acquired by An Undisclosed Private Company	 has acquired 	 has been acquired by A Private Equity Group	 has been acquired by



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