



Steady As She Goes...or Trouble Ahead?

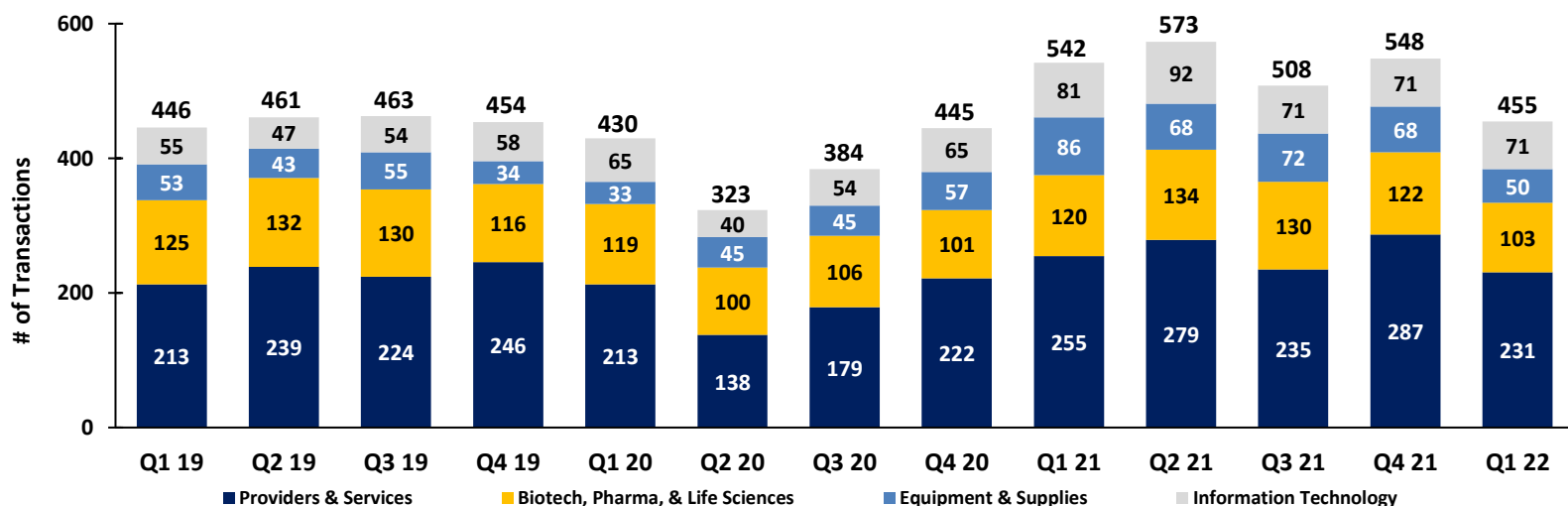
With a once-in-a-century global pandemic largely behind us, followed by a year of record deal volume and above average multiples in many industries, the healthcare M&A market appears to have taken a slight breather in Q1 2022 as transaction volume declined from 548 deals in Q4 2021 to 455 deals in Q1 2022. We note, however, that the Q1 total is in line with the pre-pandemic average of 456 per quarter in 2019.

Only time will tell if the Q1 decline is a deep breath before transaction volume surges ahead again, or whether it is the first sign of a longer easing trend. While concerns over persistently high inflation and rising interest rates suggest that transaction volume and valuations will soften in the months to come, the tailwinds of aging baby boomers, technological advancement, and a still highly fragmented industry should assure vigorous M&A activity in all healthcare subsectors by both strategic and financial buyers for years to come.

Nearly 50% of transaction activity in the healthcare industry during the last 12 months have occurred in the Providers & Services sector, followed by Biotech, Pharma, & Life Sciences (23%), Information Technology (15%), and Equipment & Supplies (12%). Within the broad Providers & Services sector, EdgePoint noted significant deal activity in the following subsectors that are profiled in the remainder of this report: Physician Practices, Home Health & Hospice, Behavioral Health, Support Services, Rehabilitation, and Dental Practices. We have also profiled the Equipment & Supplies sector.

As illustrated on the final page of this report, public company valuation multiples have remained relatively steady. For the remainder of 2022 we expect continued volatility in the public markets to result in declining valuation multiples overall; yet opportunities will still abound for well-run companies to command historically high values.

Healthcare Transactions by Sector, by Quarter

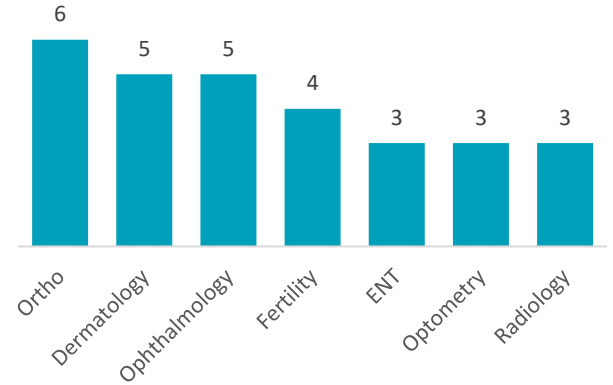


Source: CapIQ

Physician Practices Sector Profile

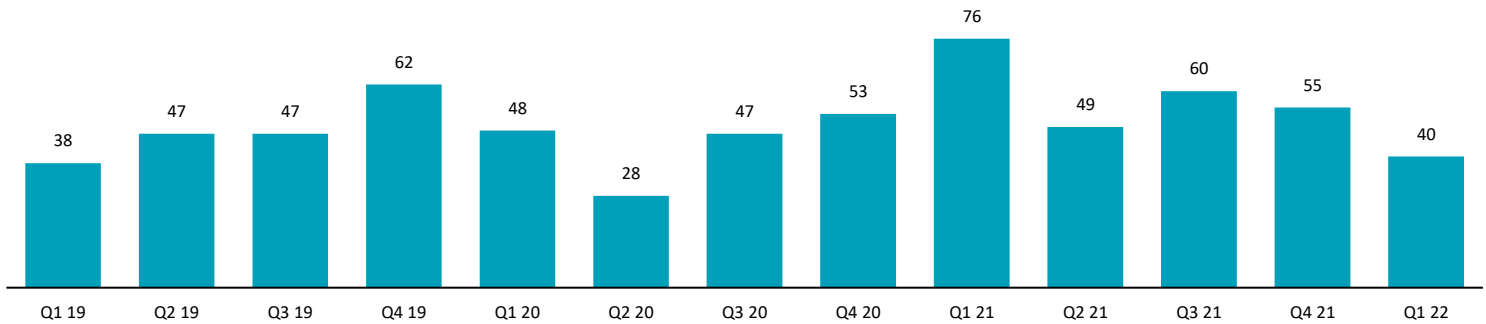
The number of M&A transactions involving Physician Practices plummeted sharply in Spring 2020; however, they rebounded just as quickly, fully recovering by Q4 2020. A combination of pent-up demand, expectations of increases in capital gains tax rates, and optimism surrounding the rollout of vaccines all contributed to a record 76 deals closing in Q1 2021. The pace of transactions has cooled since then as persistent inflation and rising interest rates, and perhaps a bit of indigestion following the steady diet of deals in 2021, have rendered investors newly cautious. Private equity-driven rollups in Orthopedics, Dermatology and Ophthalmology continue to lead the way, and we expect transaction volume to rebound by the end of 2022 as relatively young consolidation efforts in ENT, GI and plastic surgery pick up steam.

Most Active Specialists Q1 2022



Source: CapIQ

Physicians Practice Transaction Volume



Source: CapIQ

Notable Physician Practices Transactions

Date Closed	Buyer / Investor	Target	Description
03/22/2022 01/20/2022	Schweiger Dermatology Group (Zenyth Partners)	The Connecticut Dermatology Group, P.C. Theta Dermatology, P.C.	Dermatology Practices
02/28/2022	Elevate ENT (Audax Management Company)	Boca Raton Otolaryngology	ENT Practice
02/18/2022 01/07/2022	Vision Innovation Partners (Gryphon Investors)	SIEHT Pennsylvania Eye Surgery Center, Inc.	Ophthalmology Practices
02/08/2022	U.S. Orthopedic Partners (Thurston Group, LLC)	Southern Orthopedic Surgeons, L.L.C.	Orthopedic Practice
01/25/2022 01/25/2022	ECP Ophthalmology Services, LLC (Partners Group Holding)	The Eye Physicians of Pinellas, P.A. Lakeland Eye Clinic, P.A.	Ophthalmology Practices
01/15/2022	Family Allergy & Asthma LLC (Prairie Management Company)	Allergy & Asthma Specialists, P.C.	ENT Practice
01/05/2022 01/05/2022	Gastro Health (OMERS PE)	Gastroenterology Associates of Pensacola Optimal Digestive Care	Gastroenterology Practices
01/04/2022	ADCS Clinics, LLC (Harvest Partners, LP)	Fort Mill Dermatology LLC.	Dermatology Practice

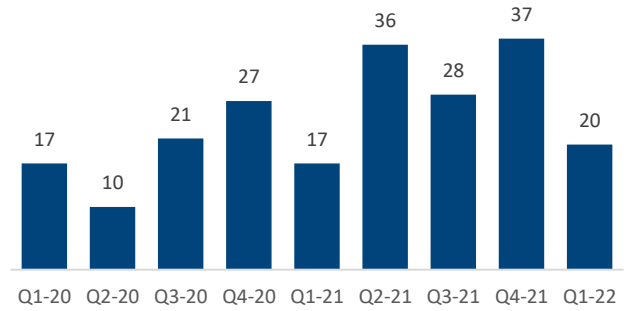
Home Health & Hospice Sector Profile

Home Health transaction volume continues to be volatile but generally trending upward; each of the past four quarters has exceeded the volume of the same quarter of the prior year. Investors continue to place a premium on services that lower the total cost of care and are well-positioned to benefit from the demographic tide of baby boomers hitting their 70s. We anticipate that transaction volume will remain strong in 2022 as the long-term trend toward consolidation continues; yet we expect valuations to continue coming down.

Notable Home Health & Hospice Transactions

Date Closed	Buyer / Investor	Target	Description
03/30/2022	The Vistria Group, LLC	Professional Health Care Network	Post Acute Management Services Provider
03/23/2022	Traditions Health, LLC (Dorilton Capital Advisors, LLC)	Cadence Hospice Pacific Crest Hospice 3 Locations of Sonata Hospice	Hospice Providers
02/03/2022	ConcertoCare	Crown Health	Home Based Health Care Services
01/05/2022	Addus HomeCare Corporation (NasdaqGS:ADUS)	Assets of JourneyCare, Inc.	Hospice and Palliative Care Provider

Home Health & Hospice Transaction Volume



Source: CapIQ

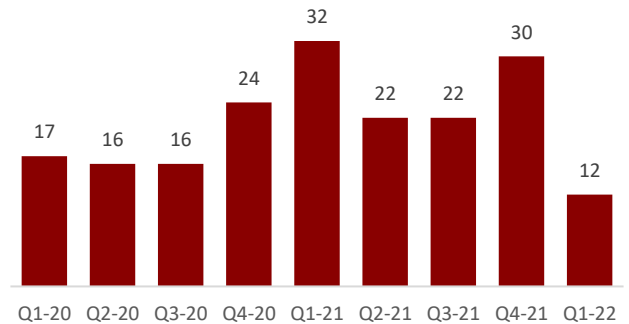
Behavioral Health Sector Profile

The number of Behavioral Health transactions dropped significantly in Q1 2022, following an extremely active 2021. Since the pandemic exacerbated the addiction epidemic, substance abuse treatment programs continued to be an area of focus for private equity investment. Clinics serving children with autism or developmental disabilities were also favored targets for acquisition. We anticipate this focus on higher-margin niche services to continue, but we also expect to see more health systems acquire or partner with behavioral health clinics to better integrate behavioral health with medical care in hopes of improving overall community health at a reasonable cost.

Notable Behavioral Health Transactions

Date Closed	Buyer / Investor	Target	Description
03/23/2022	MindPath Care Centers, PLLC (Centerbridge Partners, L.P)	Psychiatric Centers at San Diego, Incorporated Medical Group	Psychiatric Treatment
01/20/2022	The Stepping Stones Group, LLC (Shore Capital Partner, LLC)	The Southcoast Autism Center	ABA Treatment Services
01/06/2022	Summit Behavioral Healthcare, LLC (Patient Square Capital, LP)	Seven Psychiatric Hospitals in Iowa, Tennessee, Texas, New Mexico and North Carolina	Psychiatric and Substance Abuse Treatment
01/06/2022	Health Connect America, Inc (Harren Equity Partners, LLC)	Family and Children Pinnacle Family Services Healing Educational	Behavioral Health Treatment
01/03/2022	Acadia Healthcare Company, Inc. (NasdaqGS:ACHC)	CenterPointe Behavioral Health System LLC	Substance Abuse Treatment

Behavioral Health Transaction Volume

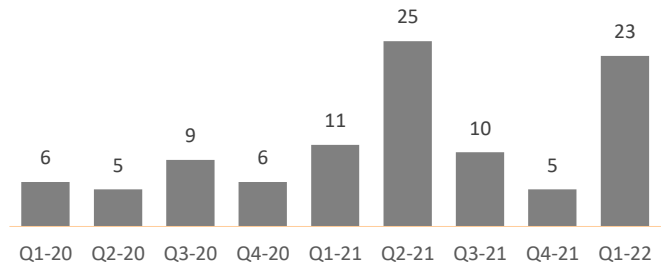


Source: CapIQ

Support Services Sector Profile

Companies that provide support services to the healthcare industry are of strong interest to investors because such companies offer the benefits of recession resistance without the high level of regulatory and reimbursement risk faced by providers. The pandemic significantly increased demand for temporary staffing and outsourced services such as revenue cycle management as health systems struggled to retain staff. Much like the provider community itself, the support services market is highly fragmented, providing significant opportunities for consolidation. We expect both deal volume and valuations to climb throughout 2022.

Support Services Transaction Volume



Source: CapIQ

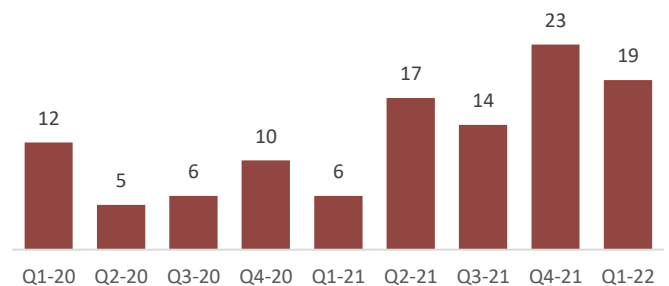
Notable Support Services Transactions

Date Closed	Buyer / Investor	Target	Description
03/09/2022	PRN Health Services, Inc. (Anagenesis Capital Partners)	Alliant, Inc.	Health Care Staffing
02/22/2022	MRO Corporation (Parthenon Capital)	MediCopy Services, Inc.	Provides Health Information Exchange Solutions
02/16/2022	National Medical Billing Services (Aqualine Capital Partners LLC)	National Billing Partners, LLC	Provides ASC Revenue Cycle Management Services
01/03/2022	CareMetx, LLC (The Vistria Group, LLC)	Human Care Systems, Inc.	Patient Support, Distribution Management, and Analytics Services

Rehabilitation Sector Profile

After a strong resurgence in 2021, the M&A market for rehabilitation has remained robust in early 2022. With 19 transactions in Q1, this level of activity is second only to the record 23 transactions in Q4 2021. During the early phases of the pandemic physicians and patients deferred many non-urgent orthopedic surgeries, leading to significant reductions in rehab hospital admissions and physical therapy visits. Better treatments and less virulent strains of the virus have allowed for more steady surgical volume, stabilizing the industry and allowing for a return of M&A activity that we expect to continue throughout 2022.

Rehabilitation Transaction Volume



Source: CapIQ

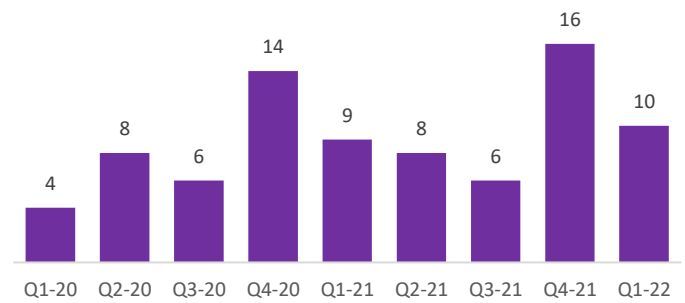
Notable Rehabilitation Transactions

Date Closed	Buyer / Investor	Target	Description
03/31/2022	InHome Therapy Inc. (Newspring Capital)	The Real Dink, Inc.	Orthopedic Rehabilitation Practice
02/08/2022	CORA Health Services, Inc. (H.I.G. Capital, LLC)	Alliant Physical Therapy Group LLC	Clinical and Outpatient Rehabilitation Practice
01/18/2022 01/11/2022 01/11/2022	Athletico (BDT Capital Partners, LLC)	Georgialina Physical Therapy Associates, LLC Therapy Specialists of Ok, LLC Carson Physical Therapy, Inc.	Orthopedic Rehabilitation Practices
01/03/2022	U.S. Physical Therapy, Inc. (NYSE: USPH)	3 Physical Therapy Practices in South Carolina	Physical Therapy Practices

Dental Practices Sector Profile

Dental practice M&A activity has been historically bumpy, so we will not be surprised if Q2 2022 or Q3 2022 cool off after strong back-to-back quarters. 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, will create a strong landscape for continued M&A activity in the dental sector. In particular, look for more activity in the orthodontic/oral surgery subsector.

Dental Practice Transaction Volume



Source: CapIQ

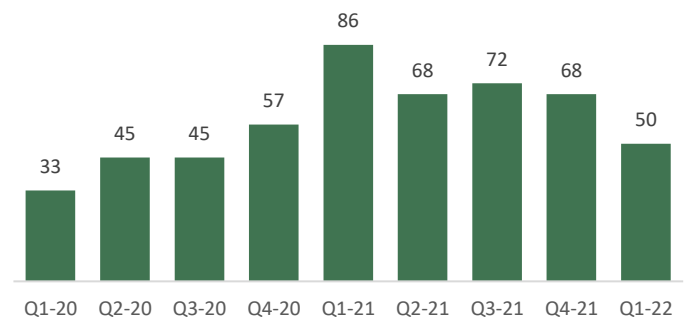
Notable Dental Practice Transactions

Date Closed	Buyer / Investor	Target	Description
02/28/2022	TPG Capital, L.P.	Blue Cloud Pediatric Surgery Centers, LLC	Pediatric Dentistry Practice
02/09/2022	Smile Brands Group Inc. (Gryphon Investors Inc)	G's Dental Studio, P.C	Dental Practice
01/31/2022 01/17/2022	Gen4 Dental Partners Opco, LLC (Thurston Group, LLC)	Smile One Services LLC Harris Dental, L.L.P.	General and Cosmetic Dentistry Practices
01/06/2022 01/05/2022	Rock Dental Arkansas, PLLC (The Vistria Group, LLC)	Three Local Locations of Moore Orthodontics Burleson Orthodontics & Pediatric Dentistry	Dental Practices

Equipment & Supplies Sector Profile

Companies involved in the manufacture and distribution of medical equipment and supplies accounted for roughly one of every eight healthcare transactions over the past 12 months. Transaction volume in this sector has slowed since its record high in Q1 2021 but remains above historical levels. Public company valuation multiples have also declined after record valuations at the end of 2020, but such valuations also remain strong compared to other sectors even with ongoing supply chain issues. We anticipate broad economic concerns such as inflation and interest rates to have a moderating effect on both transaction volume and valuations in 2022.

Equipment & Supplies Transaction Volume



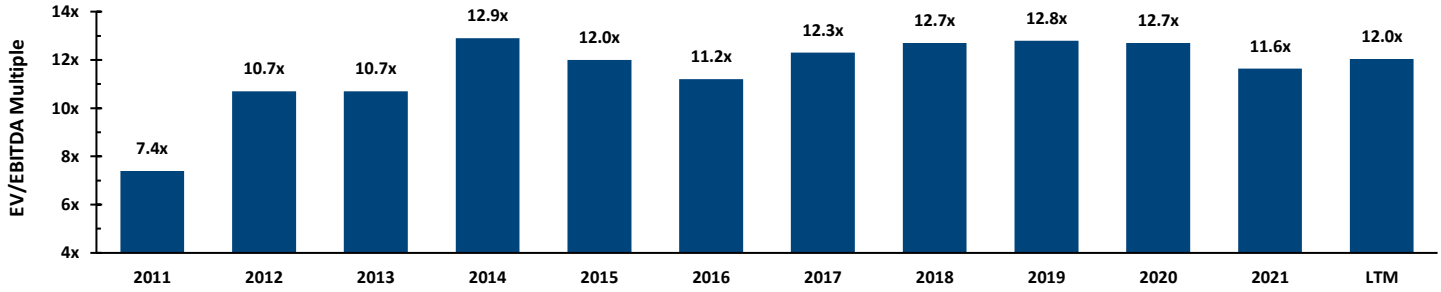
Source: CapIQ

Notable Equipment & Supplies Transactions

Date Closed	Buyer / Investor	Target	Description
03/16/2022	ARCH Medical Solutions (Barings LLC)	Market Services Corporation	Manufacturer of Ultrasound Imaging Equipment
02/21/2022	Young Innovations, Inc.	Medical Purchasing Solutions, LLC	Manufacturer of Dental Supplies
02/15/2022	Avista Capital Holdings, L.P.	Probo Medical, LLC	Distributor Ultrasound Transducers and Stock Systems
01/5/2022	Advancing Eyecare Holdings (Cornell Capital LLC (Pending))	Santinelli International, Inc.	Distributor of Ophthalmic Instruments

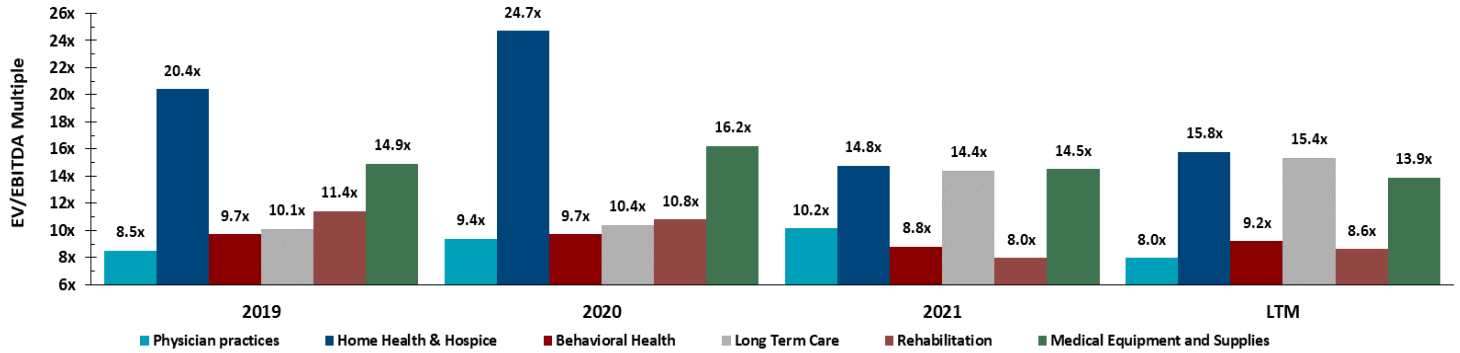
Public Company Comparisons Trading Multiples

Healthcare Industry Public Comparables: Annual EV/EBITDA Multiples



Source: CapIQ, public trading data as of March 31, 2022

Healthcare Sub-Sector Public EV/EBITDA Multiples



Source: CapIQ, public trading data as of March 31, 2022

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 



EdgePoint is an independent, advisory-focused, investment banking firm serving the middle market.

