



Down, but Not Out – Value to be Found in Slower Healthcare M&A Market

Deal activity continued its downward trend in the third quarter of 2023. EdgePoint estimates 330 deals were announced or completed in Q3, a roughly 9% drop from Q2 and continuing a steady decline in activity from the peak in Q4 of 2021.

While existing platforms continue to pursue add-on acquisitions, they are doing so at a slower rate, and are pursuing smaller deals, than they had been in 2021. Several sectors that were “hot” just a few quarters ago have slowed noticeably, including dental, home health, behavioral health, physician practices across many specialties, and veterinary.

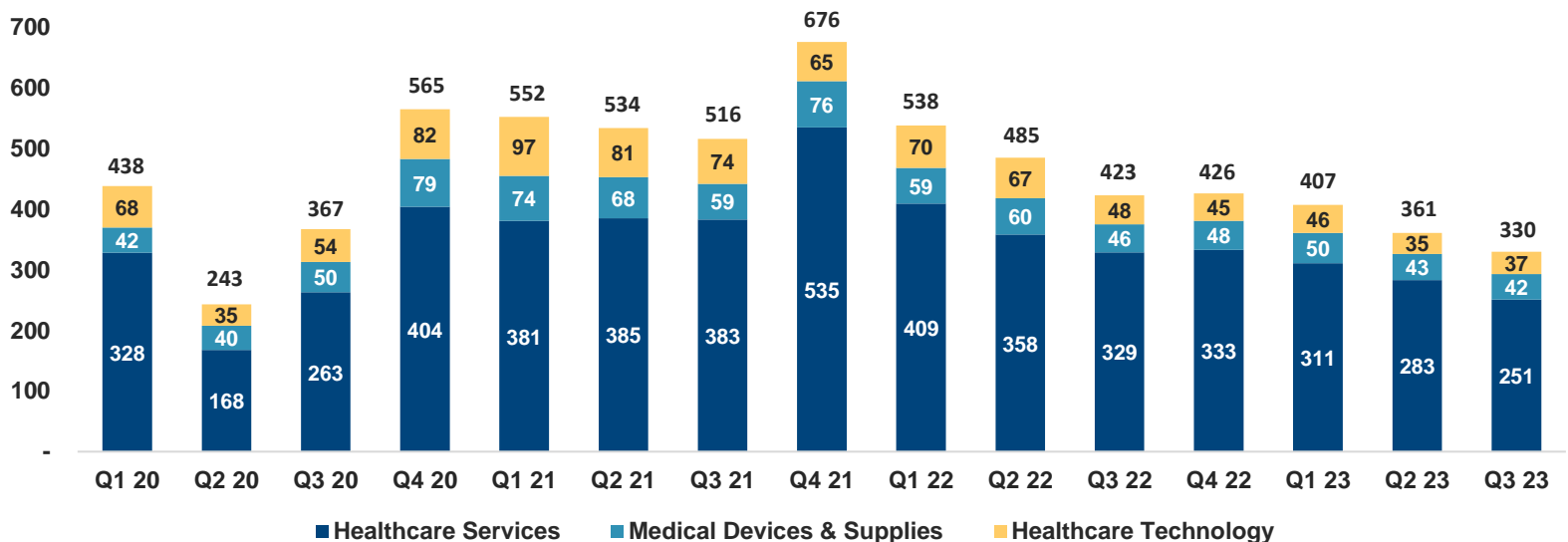
Much of the slowdown can be attributed to higher interest rates and correspondingly tighter lending standards. According to data compiled by PitchBook, prior to 2023 buyers could borrow up to 5x EBITDA for senior debt on a transaction; whereas currently, sponsors struggle to find lenders willing to underwrite more than 3x EBITDA.

Despite fewer assets being available and the pace of dealmaking slowing down, investors continue to make thoughtful bets in specific areas of the healthcare market. In this report, we highlight four such areas: Behavioral Health, Aesthetic Medicine, Specialty Physician Practices, and Revenue Cycle Management.

Aesthetic medicine has been particularly active of late. Once an ancillary add-on to a traditional dermatology practice, med spas are now seen as a pure-play roll-up opportunity. In addition, there are now several platforms acquiring plastic surgery practices, complementing them with non-surgical services.

Now that the Feds have signaled interest rate stability for the foreseeable future, we anticipate healthcare M&A activity to begin rebounding in 2024. And with that increase in activity, we expect valuation multiples to stabilize.

Healthcare M&A Transactions by Sector, by Quarter



Source: Pitchbook (September 30, 2023)

Notable Recent Healthcare Transactions by Subsector

Behavioral Health

August 2023

Target:  dayspring

Buyer:



Sponsor:

Dayspring Behavioral Health Joins ARC Health

- ARC Health, a Thurston Group portfolio company, has announced the acquisition of Dayspring Behavioral Health (DBH), a well-established mental health practice with four locations throughout the Seattle metroplex.
- Founded in 2012 by Dr. Amy Ford, DBH has emerged as a leading force in mental health, offering comprehensive counseling services and specialized pediatric neuropsychological assessments.
- Renowned for its commitment to quality mental health care, DBH places a special emphasis on children and family care.

Date	Buyer / Sponsor	Target	Description
9/23	ERPHealth	Manifesto	A peer support platform that helps patients start and sustain their recovery journeys for the long run
8/23	Three Links	St. Francis Health Services	Meets the complex needs of vulnerable people with mental and intellectual disabilities
8/23	Backpack Healthcare	SHE Health	A provider of mental health services for adolescent and young adult females
8/23	Backpack Healthcare	Hurdle Health	A digital mental health platform that provides culturally intentional mental health services
8/23	Sandhills Center	Eastpointe	Manages public behavioral health benefits for over 100,000 members in North Carolina
8/23	Pneuma Behavioral Health	Bright Path Behavioral Health	Helps adolescents tackle serious mental health challenges that impede their daily lives
8/23	Trive Capital	Turn Key Health	Provides comprehensive health care services to diverse inmate populations
8/23	Deep Eddy Psychotherapy / Havencrest Capital Management	Dallas Counseling and Treatment Center	Provides outpatient mental health treatment
8/23	ABA Connect / MBF Healthcare Partners	Bright Behavior	Provider of high-quality applied behavior analysis therapy

Source: Pitchbook, CapIQ, Company Press Releases

Notable Recent Healthcare Transactions by Subsector

Aesthetic Medicine

July 2023

Target:



Buyer:



Three Renowned Plastic Surgeons Form Premier Plastic Surgery Partners

- *Dr. Stephen Ronan, Dr. Ross Clevens, and Dr. Jeffrey Spiegel have formed a new bicoastal plastic surgery company with a significant investment from Corbel Capital Partners.*
- *The newly formed Company, Premier Plastic Surgery Partners, offers a comprehensive suite of services including facial plastic surgery, cosmetic breast and body plastic surgery and nonsurgical procedures.*
- *EdgePoint served as the exclusive financial advisor to Blackhawk Plastic Surgery & MedSpa, Clevens Face & Body Specialists, and The Spiegel Center.*

Date	Buyer / Sponsor	Target	Description
9/23	Empower Aesthetics / Shore Capital Partners	The Artistry of Face	Offers neurotoxin procedures, dermal filler procedures, body contouring, and light-based treatments
9/23	The Dermatology Specialists / Regal Healthcare Partners	Delaware Valley Dermatology	Provides dermatologic care to patients in the Greater Wilmington region
9/23	The Skin Center / ALZA Capital Partners	Renewal Skin Spa	The leader in non-surgical medical aesthetics in West Michigan for over 15 years
9/23	United Aesthetics Alliance / Varsity Healthcare Partners	Edina Plastic Surgery	Provides a suite of plastic surgery procedures, injectables, and aesthetic services
8/23	Princeton Medspa Partners / Princeton Equity Group	Advanced Life Clinic	Boasts a full offering of aesthetic medical services
7/23	Birch Medical Spas / Imperial Capital	The Amara Med Spa	North Florida's premier luxury medical spa
7/23	Advanced Medaesthetic Partners / Leon Capital	Blush Med Spa of Connecticut	A medical aesthetics practice with a strong presence across the greater Hartford, Connecticut area
7/23	Alpha Aesthetics Partners / Thurston Group	Refined Aesthetics	A renowned medical aesthetics practice based in Leesburg, Virginia
7/23	Platinum Dermatology Partners	Mosharrafa Plastic Surgery	An award-winning plastic surgery clinic in Phoenix, Arizona

Source: Pitchbook, CapIQ, Company Press Releases

Notable Recent Healthcare Transactions by Subsector

Specialty Physician Practices

September 2023

Target:



Buyer:



Sponsor:

US Digestive Health Announces Partnership with GI Specialists of Delaware

- US Digestive Health (USDH) announced its partnership with GI Specialists of Delaware, a specialty practice in Wilmington.
- The partnership allows USDH to increase its presence in Delaware and offer innovative, best-in-class gastroenterological care.
- Three physicians and eight medical staff members have been added to USDH through this partnership, further building expertise and continuing to provide specialized GI knowledge to patients.

Date	Buyer / Sponsor	Target	Description
9/23	Salem Health	Hope Orthopedics	A provider of orthopedic treatment and services in Salem, OR
9/23	American Medical Administrators	Midwest Bone and Joint Center	One of the largest independent orthopedic practices in the Midwest
9/23	Unifeye Vision Partners / Waud Capital	Insight Vision Group	One of the fastest growing eyecare platforms in the country with ten clinics and two multi-specialty ASCs
9/23	HOPCo / Audax Private Equity	Institute for Orthopaedic Surgery & Sports Medicine	A nationally-recognized group of orthopedic surgeons
9/23	Gastro Health / OMERS Private Equity	Gastroenterology Consultants of Polk County	Treats gastrointestinal disorders and performs general GI procedures
9/23	EyeSouth Partners / Olympus Partners	Retina and Vitreous of Texas	A Houston-based vitreoretinal care clinic
8/23	Allied Digestive Health / Assured Healthcare Partners	Digestive Disease Associates of Rockland	The largest gastroenterological practice in Rockland County, Maryland
8/23	United Musculoskeletal / A&M Capital	Pinnacle Orthopedics	A 16-physician orthopedic practice in Cherokee, Cobb, and Paulding counties Georgia
8/23	US Digestive Health / Amulet Capital	Blair Gastroenterology Associates	Specialize in educating, preventing, diagnosing, and treating diseases of the digestive organs

Source: Pitchbook, CapIQ, Company Press Releases

Notable Recent Healthcare Transactions by Subsector

Revenue Cycle Management

July 2023

Target:



Buyer:

**Visonex has been Acquired by The Brydon Group**

- *The Brydon Group has acquired Visonex, a Green Bay, Wisconsin-based provider of innovative, cloud-based software as a service (SaaS) for dialysis clinics across the U.S.*
- *Visonex has a nearly 20-year history of meeting the information management needs of providers serving patients suffering from kidney disease, a chronic condition that affects more than 15% of the US population.*
- **EdgePoint served as the exclusive financial advisor to Visonex.**

Date	Buyer / Sponsor	Target	Description
9/23	Alpha II / TA Associates	RCxRules	Developer of AI-driven solutions to simplify revenue cycle and risk adjustment workflows
9/23	iCoreConnect	Preferred Dental Services	A dental billing, claims, and insurance management company
9/23	ModuleMD / Sage Capital Partners	Diversified Healthcare Management	Provides billing, coding, and consulting services
9/23	ModuleMD / Sage Capital Partners	MedEase	A cloud-based medical software company that serves medical practices and RCM companies
8/23	Aspirion Health Resources / Varsity Healthcare Partners	Infinia ML	A leading machine learning company that advances operational effectiveness and recovery yield
8/23	UnisLink / Riverside Partners	AQREVA	Provider of medical billing, coding, and consulting services to medical practices
8/23	UnisLink / Riverside Partners	Doctors' Resource Specialists	A provider of medical billing, medical coding, and reimbursement consulting services
8/23	Waystar / Bain Capital	HealthPay24	A leader in cloud-based patient payment software
7/23	Ovation Healthcare / Grant Avenue Capital	CompMed	A national, multi-specialty medical billing service provider

Source: Pitchbook, CapIQ, Company Press Releases

What We Are Reading

“Private equity-backed Texas organization looks to reopen closed behavioral health beds”

BECKER'S
BEHAVIORAL HEALTH

- Oceans Healthcare, a Plano-Texas based organization backed by Webster Equity Partners, is looking to reopen the behavioral health beds at St. Dominic Memorial Hospital in Jackson, Mississippi.
- Oceans Healthcare has applied to lease St. Dominic's 83-bed behavioral health unit, which closed in June. Shortly after the closure, two nearby hospitals reported having full beds and were unable to accept more psychiatric patients.
- The firm's application to the state Health Department includes a letter of support signed by Representatives Chris Bell and Earle Banks which reads, "It is no secret that Mississippi is facing a mental health crisis due to a lack of resources. By approving this project, the Department of Health will enable those in my community and all central Mississippi families in crisis to obtain desperately needed healthcare closer to home."

Source: [Becker's Behavioral Health \(November 27, 2023\)](#)

“Private equity raises bets on Botox-dealing medspas”

 PitchBook

- Private equity interest in noninvasive aesthetic procedures is increasing.
- "The companies are getting to the size and scale where private equity can put in dollars and the check size be large enough to make sense," said Sonya Brown, a general partner at Norwest Venture Partners. "But there's always been the underlying growth, and that's accelerated with things like Botox being more acceptable—and also more recurring."
- "Medspas is one of the only categories (in PE) that is up-and-to-the-right this year, and it fits very well as a category with the current deal environment," said Rebecca Springer, lead healthcare analyst at PitchBook.
- "We wanted to be outside of major cities like New York and LA," Brown said. "That's where some of these trends started, so maybe those are more mature markets, whereas Aesthetic Partners is doing amazing in Columbus, Ohio."

Source: [Pitchbook \(November 21, 2023\)](#)

“Fewer physicians are owning practices. Here's why.”

**Modern
Healthcare**

- Carol Kane, the director of economic health and policy research for the American Medical Association, recently compiled a report that analyzed data from the association's biennial Physician Practice Benchmark surveys from 2012 to 2022.
- According to the report, 46% of physicians worked at private practices that are wholly owned by physicians in 2022. In 2012, that figure was 60%.
- For those physicians that sold their practice to a hospital or health system, 80% said the need to negotiate better payment rates drove them to sell.
- Private equity remains an area to watch. In 2022, 4.5% physicians worked with private equity backed groups. That figure is up slightly from 4.4% in 2020.

Source: [Modern Healthcare \(July 13, 2023\)](#)

“Healthcare payments tech company Waystar plans to go public. Is the IPO freeze thawing out?”

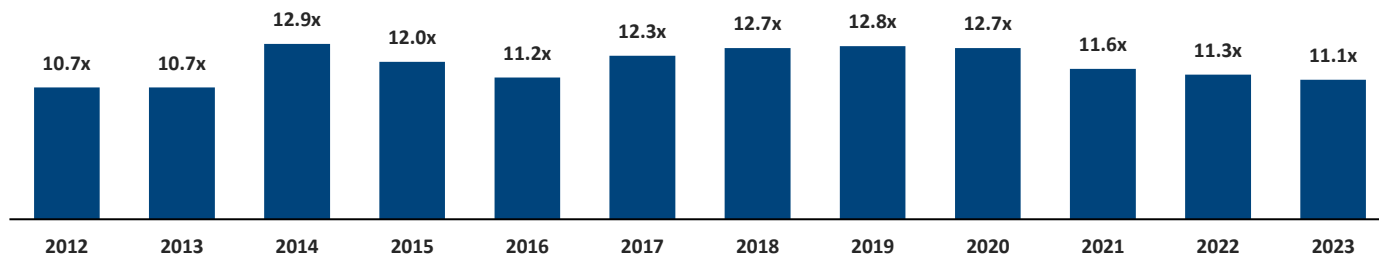
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Healthcare

- Waystar filed for an initial public offering in August and is eyeing a value up to \$8 billion.
- The company provides revenue cycle management software-as-a-service designed to streamline billing, claims and patient payment processes. It is currently backed by EQT Partners and CPP Investments.
- The company was formed in 2017 via the merger of revenue cycle management companies Navicure and ZirMed.
- The macroeconomic environment has effectively put a freeze on IPOs for health tech companies since 2022. After 20 digital health companies went public in 2021, there two in 2022 and zero in 2023.

Source: [Fierce Healthcare \(October 18, 2023\)](#)

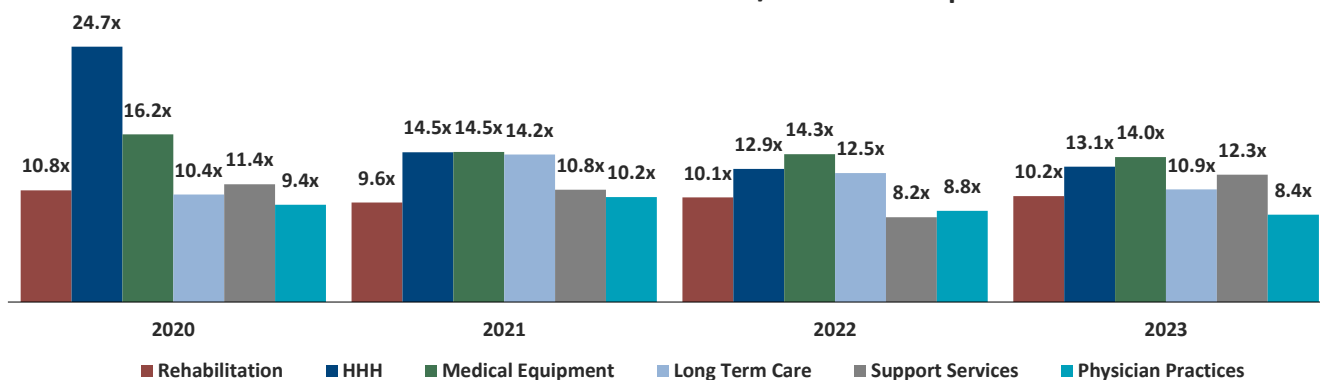
Public Company Comparisons – Trading Multiples

Healthcare Industry Public Comparables: Annual EV/EBITDA Multiples



Source: CapIQ (September 30, 2023)

Healthcare Sub-Sector Public EV/EBITDA Multiples



Source: CapIQ (September 30, 2023)

Representative EdgePoint Healthcare Transactions

 has been acquired by 	JEFFREY EPSTEIN, MD, FACS Hair Restoration Expert ANTHONY BARED, M.D., F.A.C.S. Rhinoplasty & Hair Restoration have been acquired by a portfolio company of 	 THE SPIEGEL CENTER BLACKHAWK have combined to form in partnership with 	 has been acquired by a portfolio company of 	 have been acquired by a portfolio company of
 has been acquired by 	 NORTHEAST HEALTH SERVICES, LLC has been acquired by 	shumsky® THERAPEUTIC PILLOWS has been acquired by 	 has been acquired by A Private Equity Group	 has been acquired by

