



Healthcare M&A Quarterly Update

Q3 2023

Q3 2023 Healthcare Mergers and Acquisitions (M&A) Highlights

M&A Quarterly Trends and Highlights

- ➔ Q3 2023 saw 393 announced US transactions, compared to 464 in the prior quarter. Significant deals in Q3 included CommonSpirit's agreement to manage and operate 20 hospitals previously under the Centura brand, and Froedtert's merger with ThedaCare.
- ➔ Physician medical groups led the way with 118 announced US transactions in the quarter, including Orlando Health's announced acquisition of the 350-provider Florida Medical Clinic. InterWell Health also announced its acquisition of 20 nephrology practices.
- ➔ In July, the FTC and DOJ released a draft update of the Merger Guidelines, which evaluate mergers using a slightly different set of criteria. The 13 drafted guidelines include a lower threshold on market concentration and the definition of a "dominant" organization as one with over 30% market share.

Relevant ECG Thought Leadership

- ["Sansum Clinic Joins Sutter Health"](#)
- ["AHLA - Unlocking Value: The Role of Personal Goodwill in Physician Practice Deals"](#)
- ["Selling Your ASC? 3 Steps to Improve Its Valuation"](#)
- ["Identifying the Most Responsible Moment for Partnerships and Affiliations"](#)

Sources: *Becker's Hospital Review*, LevinPro HC, and the FTC.

¹ ECG served as Sansum Clinic's exclusive strategic and financial adviser.

Notable Q3 2023 Transactions

Centura Health Folds into
CommonSpirit Health



Froedtert and ThedaCare Sign
Definitive Agreement to
Merge



CHS Subsidiaries Agree to Sell
Three Hospitals to Tampa
General Hospital



Baylor Scott & White adds 41
Urgent Care Clinics through
NextCare



Sansum Clinic Joins Sutter
Health through Member
Substitution¹

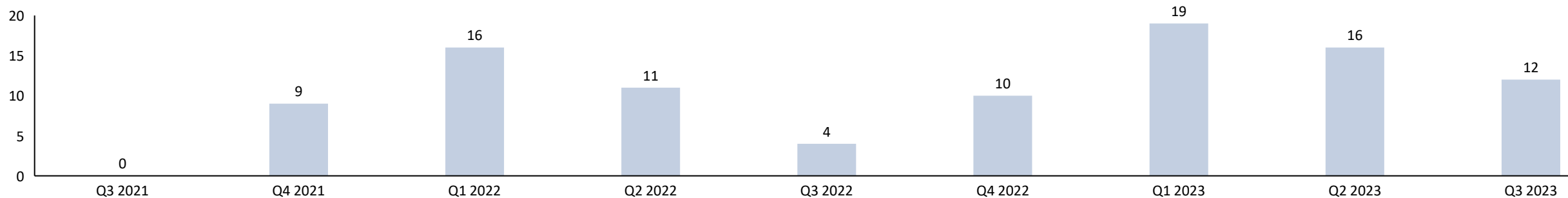


Sector Spotlight: Laboratories

Laboratory Sector Quarterly Synopsis¹

- ➔ In Q3 2023, 12 US laboratory transactions were announced, down from 16 in Q2 2023. Labcorp was the most active investor in hospital and health system outreach laboratory businesses, as demonstrated through its transactions with Jefferson Health, Legacy Health, Baystate Health, and Tufts Medicine.
- ➔ Systems facing financial difficulty are choosing to sell their laboratory assets to help curb these challenges, with many outsourcing to Labcorp. The systems are aiming to decrease exposure to a minimally profitable and highly technical service without disrupting patient care.

Announced Laboratory Transactions: Quarterly Trend¹



Sources: *Becker's Hospital Review* and LevinPro HC.

¹ Transaction counts from LevinPro HC were filtered on target sector of diagnostics and laboratories.

Notable Transactions: Laboratory Sector

 Acquires the Outreach Laboratory Services of:  <small>HOME OF SIDNEY KIMMEL MEDICAL COLLEGE</small>	 Agrees to Acquire: 	 Announces the Acquisition of the Outreach Laboratory Business of:  <small>LEGACY HEALTH</small>
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ECG valued the outreach laboratory business of a national nonprofit health system at a value of \$400 million to support the sale to a for-profit laboratory operator. The analysis also included valuing the management services the acquirer would provide to the hospital's inpatient and outpatient laboratory businesses.

Private Equity in Healthcare

Private Equity Quarterly Synopsis

- ➔ In Q3 2023, there were 152 announced US healthcare private equity deals, down from 197 in the prior quarter. Q3 was marked by multiple transactions worth more than \$1 billion, with two of our three highlighted transactions involving only one private equity firm.
- ➔ According to a study from the American Antitrust Institute, private equity firms are continuing to invest in physician practices, with the total deal count increasing from 75 in 2012 to 484 in 2021. The largest number of transactions occurred in dermatology, ophthalmology, gastroenterology, and primary care.

Significant Healthcare Private Equity Transactions: Q3 2023

Thoma Bravo Announces Acquisition of NextGen Healthcare



The deal, valued at \$1.8 billion, will take the healthcare software provider NextGen private.

TPG Announces Agreement to Acquire Nextech



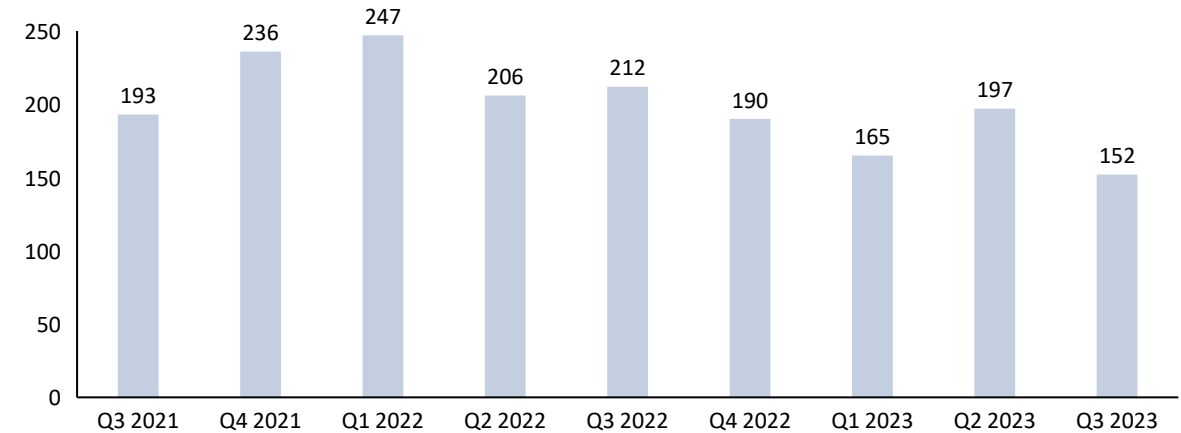
The acquisition, totaling \$1.4 billion, will increase the private equity firm's presence in healthcare services.

HealthComp and Virgin Pulse, backed by New Mountain Capital and Marlin Equity Partners, Plan to Combine



The \$3 billion merger aims to create a single health plan management platform.

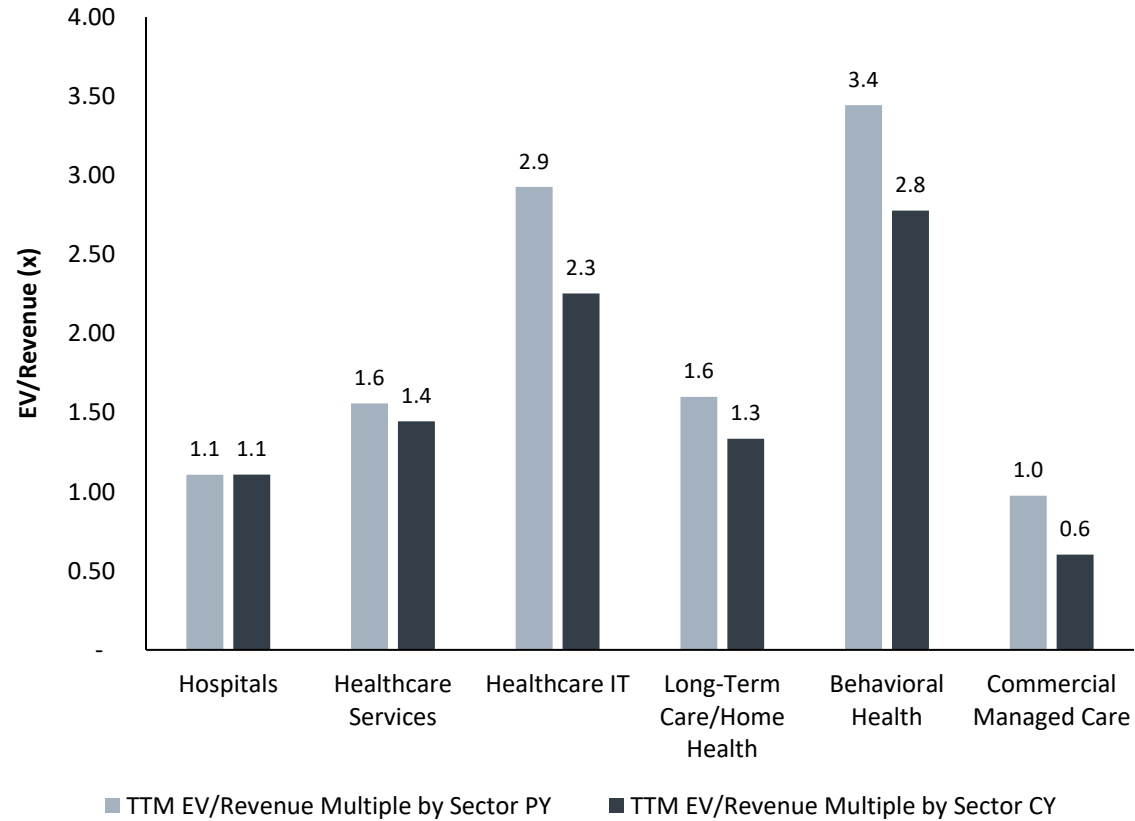
Announced US Healthcare Private Equity Deals by Quarter



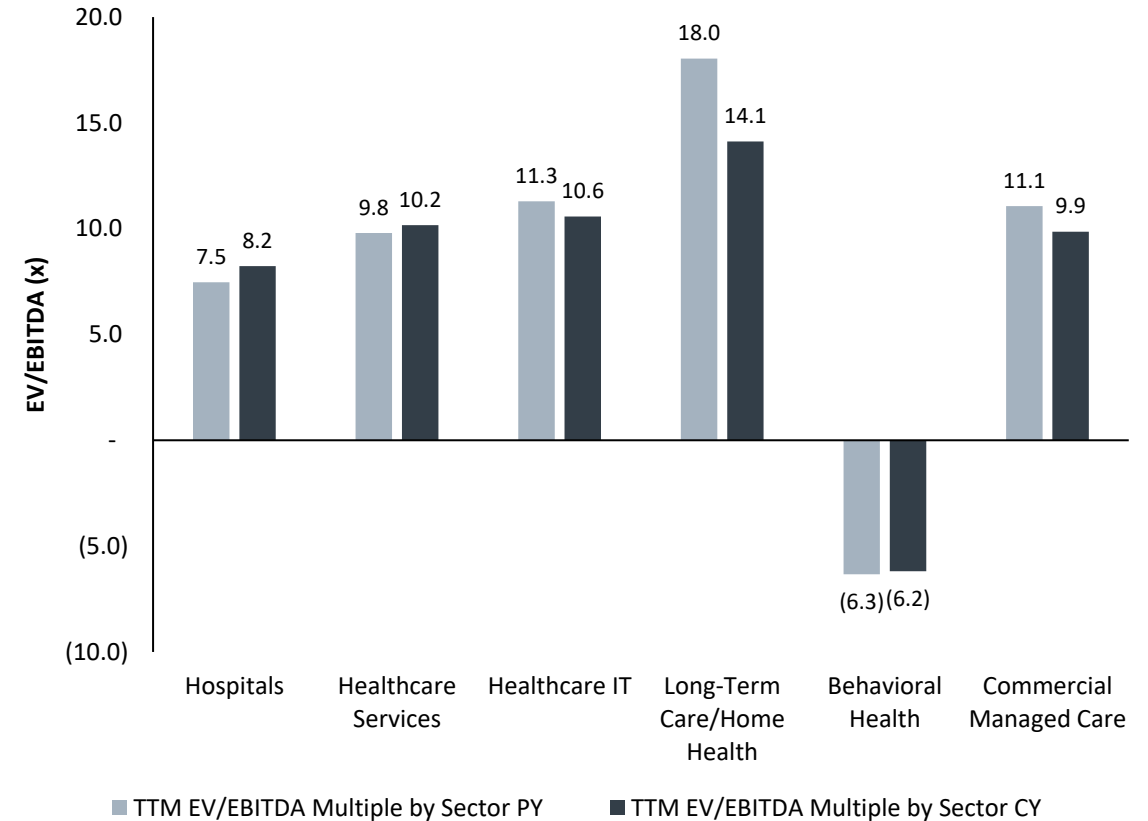
Sources: *Becker's Hospital Review*, LevinPro HC, Reuters, and the American Antitrust Institute.

YOY TTM Revenue and EBITDA Medians by Sector

Q3 2023 TTM versus Q3 2022 TTM EV/Revenue



Q3 2023 TTM versus Q3 2022 TTM EV/EBITDA



Source: Capital IQ.

Note: PY = prior year. CY = current year. A list of companies included in each sector is shown at the end of this presentation.

Comparisons reflect publicly available information as of October 9, 2023.

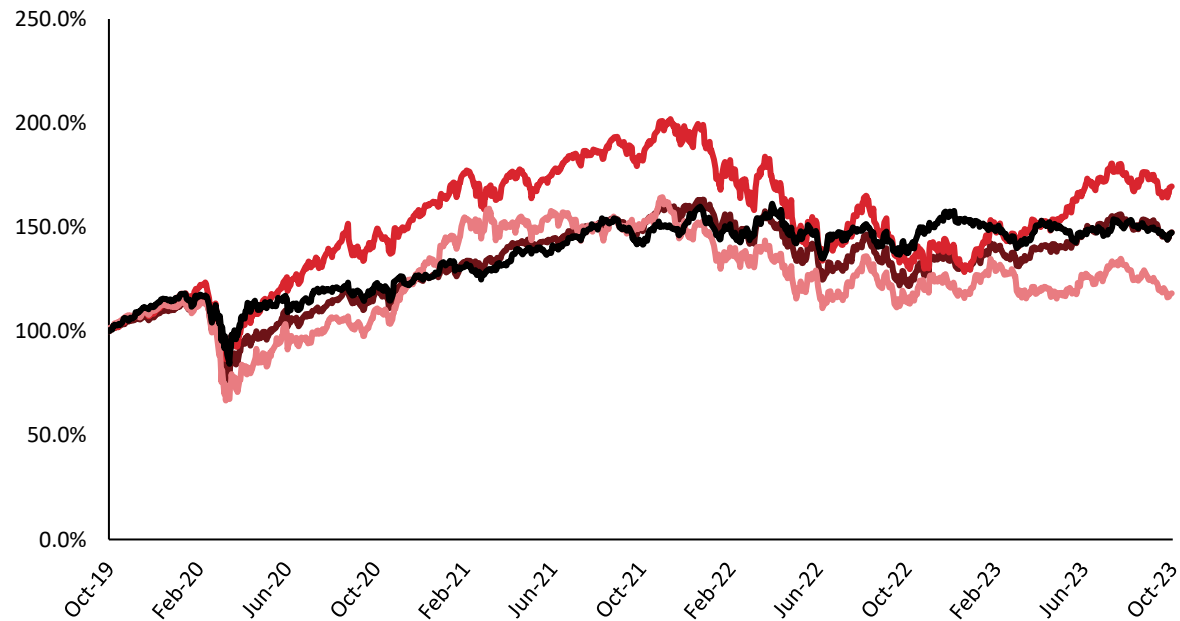
Equity and Bond Index Comparison

Nasdaq continues to outperform the S&P 500 Health Care Sector Index, while the broader S&P 500 Index has remained flat compared to the healthcare index.

Equity Index Trend

Market Performance: Equity Indexes

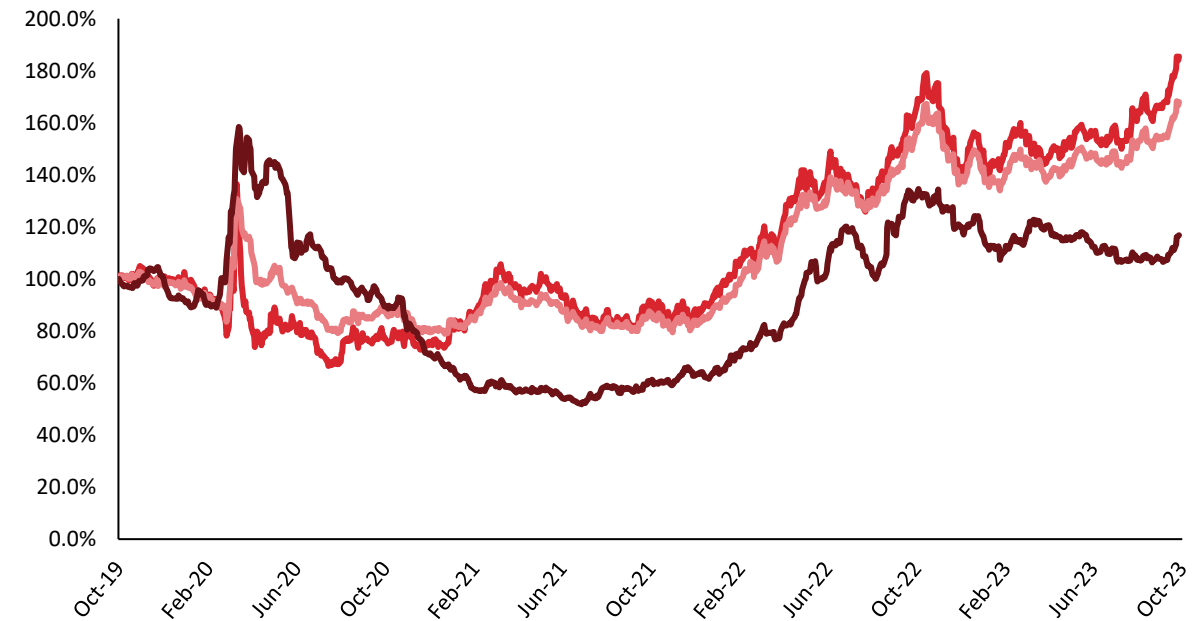
— S&P 500 — Nasdaq — Russell 2000 — S&P Healthcare



Bond Index Trend

Market Performance: Bond Indexes

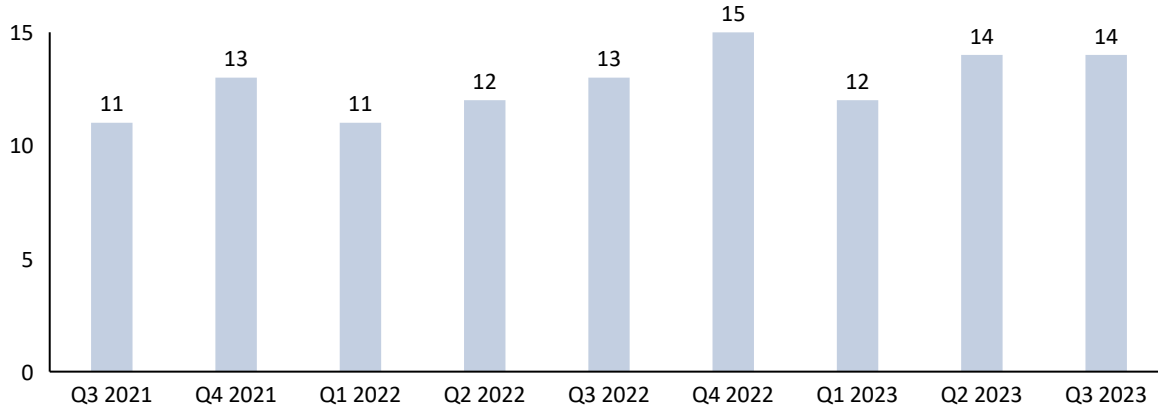
— AAA — BAA — CCC



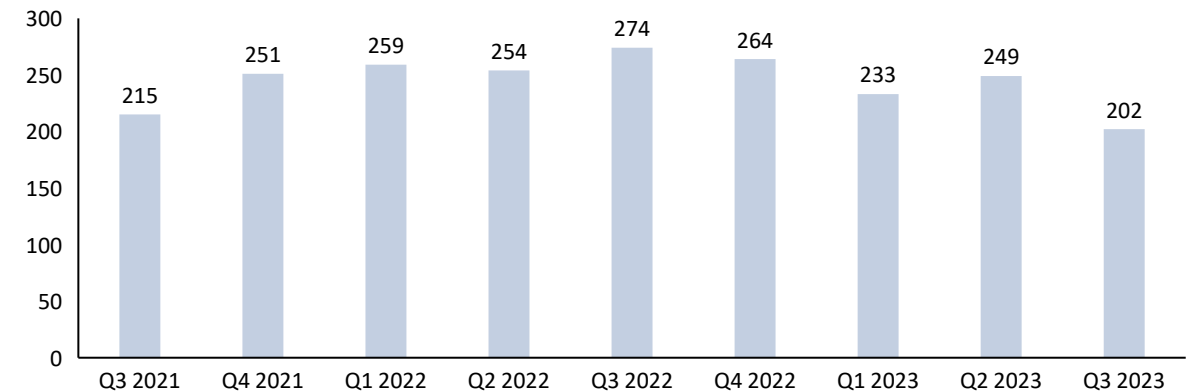
Source: Capital IQ.

Q3 2023 Announced US Transactions by Sector

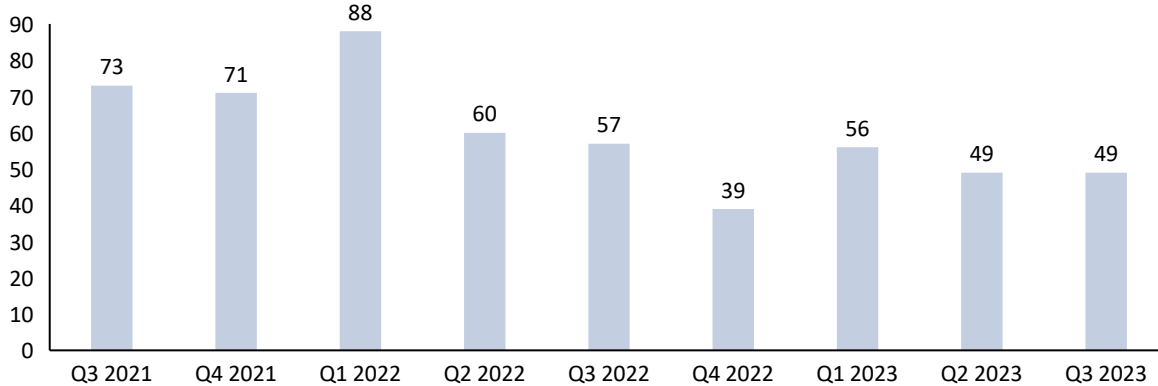
Hospitals Quarterly Transaction Trend



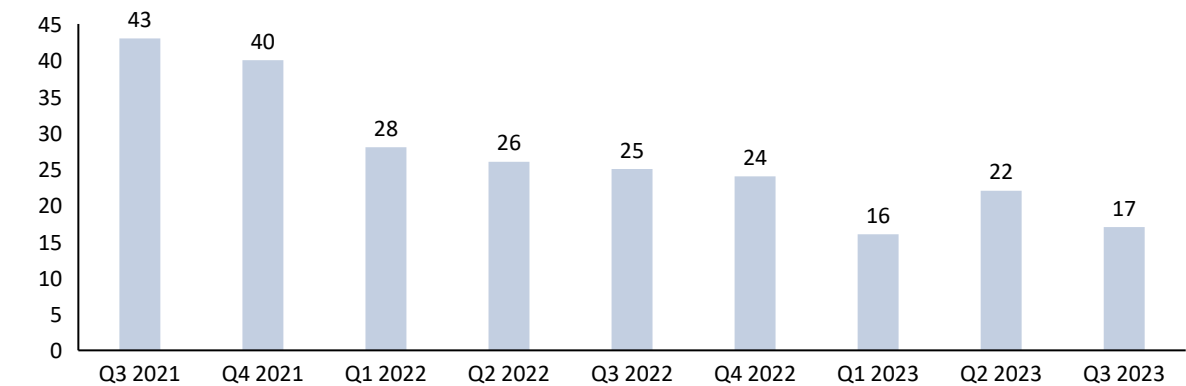
Healthcare Services Quarterly Transaction Trend¹



Healthcare IT Quarterly Transaction Trend



Long-Term Care/Home Health Quarterly Transaction Trend

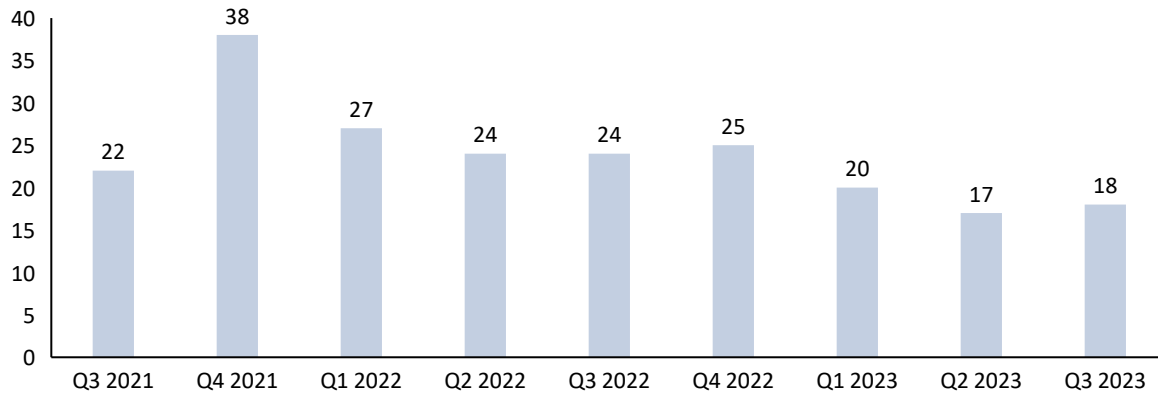


Source: LevinPro HC.

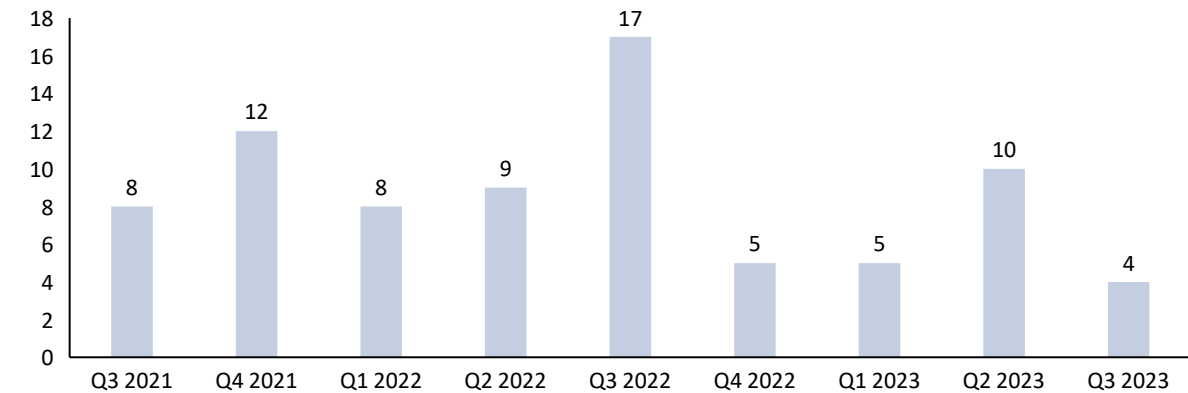
¹ The Healthcare Services sector includes deals in biotechnology, laboratories, MRA and dialysis, ACOs, ASCs, chiropractic, CROs, GPOs, health clinics, payments and billing, home equipment, infusion, occupational health, organ transplant, outpatient clinics, population health, primary and value-based care, specialty pharmacy, urgent care, pharmaceuticals, physician medical groups, and rehabilitation.

Q3 2023 Announced Transactions by Sector *(continued)*

Behavioral Health Quarterly Transaction Trend



Commercial Managed Care Quarterly Transaction Trend



- ➔ In addition to total announced US healthcare transactions being down 15% quarter over quarter, none of the highlighted sectors saw an increase deal count from Q2 2023 to Q3 2023, with the exception of Behavioral Health. Deal counts for the Hospitals and Healthcare IT sectors remained flat quarter over quarter, with 14 and 49 announced US transactions, respectively.
- ➔ Of the sectors highlighted, Commercial Managed Care saw the largest percentage change in transaction count from Q2 2023 to Q3 2023, with volume decreasing 60%. The Healthcare Services sector had 47 fewer transactions in Q3 2023 than Q2 2023.

Source: LevinPro HC.

ECG Mergers, Acquisitions, and Partnerships (MAP) Team Leadership

Through five decades of experience, we've learned that successful problem-solving requires deep industry knowledge and expertise, rigorous data and analytics, strategic foresight, political and organizational savvy, and, most importantly, practical solutions that get implemented.



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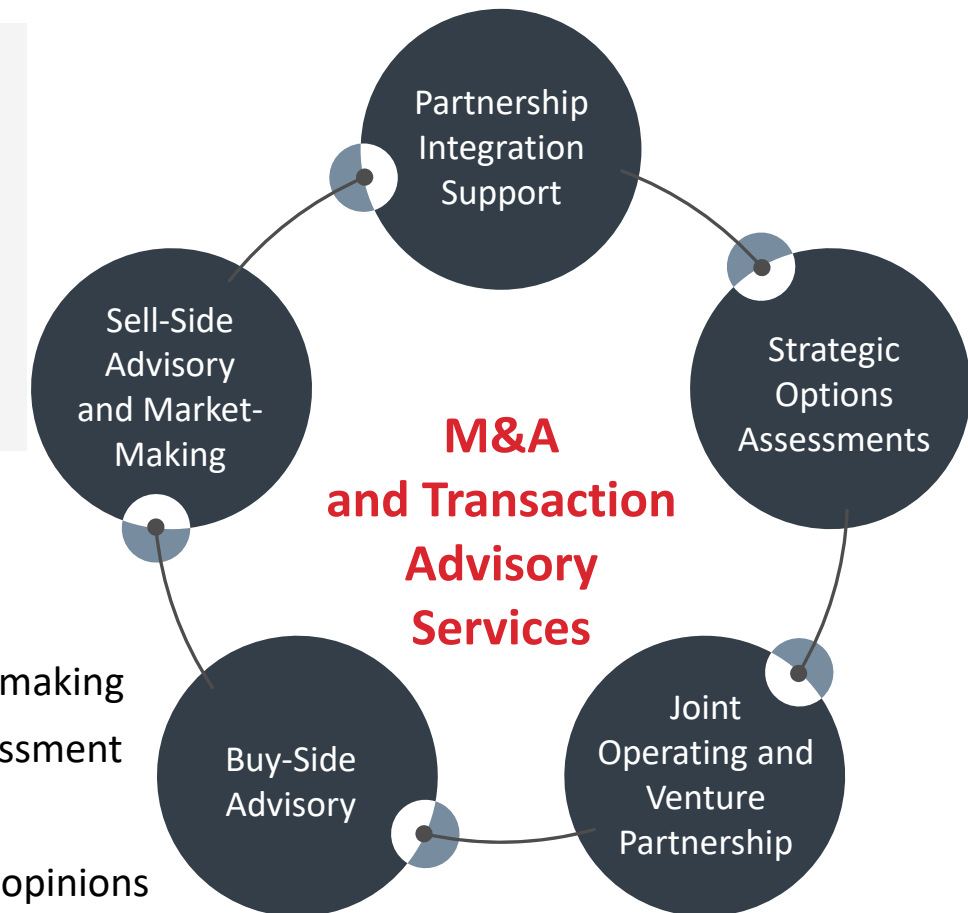
Lucas Hein, Analyst: lwhein@ecgmc.com

ECG's M&A and Transaction Advisory Practice

ECG offers a broad range of M&A and partnership transaction advisory services to healthcare providers. As a leader in the industry, ECG provides specialized expertise to community hospitals, academic medical centers, health systems, medical groups, and physician enterprises as they seek strategic partners. Professionals at ECG can provide guidance from the commencement of the transaction through integration.

Specific Areas of Expertise

- ➞ Transaction planning and coordination
- ➞ Transaction structuring and governance
- ➞ Letter of Intent development and negotiation
- ➞ Definitive agreement negotiation
- ➞ Business, asset, and contract valuation
- ➞ RFP development and response
- ➞ Partner solicitation and market-making
- ➞ Due diligence and financial assessment
- ➞ Post-transaction integration
- ➞ Fair market value and fair value opinions



Sansum Clinic and Sutter Health Member Substitution



Background

- **Sansum Clinic** is a not-for-profit, multispecialty medical group with a 100-year history of serving patients in the Santa Barbara area. The group has more than 250 providers, two ASCs, and one cancer center.
- **Sutter Health** is a not-for-profit health system headquartered in Sacramento that provides care to more than three million Californians. The organization includes 23 hospitals, 33 ASCs, and over 12,000 physicians, and serves more than 100 communities in Northern California.

ECG's Role

- ECG was engaged by Sansum Clinic to be its exclusive strategic and financial adviser. To facilitate this process, ECG created a CIM, financial model, and other materials to facilitate interest from potential buyers.
- Sansum Clinic settled on Sutter Health to be its partner through a member substitution. Sutter Health has agreed to support Sansum Clinic's geographic expansion and increase SSBMC's compensation under a new PSA.

Transaction Outcomes and Impacts



Capital Commitment

The transaction will include ongoing capital commitments.

Capital commitment amounts undisclosed.



Geographic Expansion Support

Sutter Health will support Sansum Clinic's planned expansion.



Physician Compensation Increase

SSBMC physicians will enter a new PSA that will result in increased compensation.

Compensation amounts undisclosed.



Sansum Clinic Financial Stability

The transaction will help stabilize Sansum Clinic's financial situation through Sutter Health's support.

Selected Companies by Sector

Hospitals

HCA Healthcare (HCA), Tenet Healthcare Corporation (THC), Community Health Systems (CYH), Universal Health Services (UHS)

Healthcare Services

Enzo Biochem (ENZ), Exact Sciences Corporation (EXAS), Laboratory Corporation of America Holdings (LH), Myriad Genetics (MYGN), NeoGenomics (NEO), Quest Diagnostics (DGX), CareCloud (CCLD), Ontrak (OTRK), SHL Telemedicine (SHLTN), Teladoc Health (TDOC), Veradigm (MDRX), Welltower (WELL), Acadia Healthcare Company (ACHC), Amedisys (AMED), Community Health Systems (CYH), DaVita (DVA), Encompass Health Corporation (EHC), Fresenius Medical Care AG & Co. KGaA (FME), HCA Healthcare (HCA), Pediatrix Medical Group (MD), National HealthCare Corporation (NHC), Oak Street Health (OSH), RadNet (RDNT), Select Medical Holdings Corporation (SEM), Surgery Partners (SGRY), Tenet Healthcare Corporation (THC), The Ensign Group (ENSG), GoodRx Holdings (GDRX), Universal Health Services (UHS)

Healthcare IT

Accolade (ACCD), Veradigm (MDRX), CareCloud (MTBC), Certata (CERT), Computer Programs and Systems Inc. (CPSI), Craneware (CRW), Definitive Healthcare Corp. (DH), Doximity (DOCS), Evolent Health (EVH), Health Catalyst (HCAT), Healthcare Triangle Inc. (HCTI), HealthStream (HSTM), NantHealth (NH), National Research Corporation (NRC), NextGen Healthcare (NXGN), Omnicell (OMCL), OptimizeRx Corporation (OPRX), Phreesia (PHR), Premier (PINC), R1 RC (RCM), Science 37 Holdings (SNCE), Streamline Health Solutions (STRM), Tabula Rasa HealthCare (TRHC)

Long-Term Care/Home Health

Addus HomeCare Corporation (ADUS), Amedisys (AMED), Aveanna Healthcare Holdings (AVAH), Brookdale Senior Living (BKD), Chemed Corporation (CHE), InnovAge Holding Corp. (INNV), LHC Group (LHCG), ModivCare (MODV), Option Care Health (OPCH), The Pennant Group (PNTG), Sonida Senior Living (SNDA)

Behavioral Health

Acadia Healthcare Company (ACHC), LifeStance Health Group (LFST), Accolade (ACCD)

Commercial Managed Care

Humana (HUM), The Cigna Group (CI), UnitedHealth Group (UNH), Progyny (PGNY), Alignment Healthcare (ALHC), Elevance Health (ELV)