



Healthcare M&A Quarterly Update

Q2 2024

Q2 2024 Healthcare Mergers and Acquisitions (M&A) Highlights

M&A Quarter Trends and Highlights

- ➔ There were 400 announced US transactions in Q2 2024, compared to 377 in the prior quarter. Significant deals in Q2 included Risant Health's acquisition of Cone Health and the merger between Jefferson Health and Lehigh Valley Network.
- ➔ Physician medical groups led the way with 116 announced US transactions in the quarter, including Spire Orthopedic Partners' announced acquisition of 35-provider Ortho Rhode Island.
- ➔ Large organizations are experiencing difficulties with recent investments in primary care. Walgreens is reducing its stake in VillageMD and will no longer be the majority owner, as Walgreens is no longer interested in investing in brick-and-mortar primary care practices. In addition, Walmart announced plans to close its Walmart Health unit including all 51 health centers.

Relevant ECG Thought Leadership



- ["Strategic Options for Independent Hospitals and Smaller Health Systems" \(ecgmc.com\)](#)
- ["MyMichigan Health to Acquire Ascension Michigan's Northern Region" \(ecgmc.com\)](#)
- ["Top Five Mistakes When Valuing a Health System Department" \(ecgmc.com\)](#)
- ["Bold Partnerships to Accelerate Strategy" \(ecgmc.com\)](#)

Sources: *Becker's Hospital Review*, LevinPro Healthcare M&A, and Yahoo Finance. Note: Transaction volumes for prior quarters are not adjusted retroactively.

Notable Q2 2024 Transactions

Risant Health Signs Definitive Agreement to Acquire Cone Health



Jefferson Health and Lehigh Valley Network Sign Definitive Agreement to Merge



Catholic Healthcare International to Acquire Trinity Health Livingston Hospital



Hamilton Health Care System to Acquire Tennova Healthcare from Community Health Systems (CHS)



Regulatory Spotlight

Office of Health Care Affordability (OHCA) Review Background

- ➔ California's (CA's) OHCA was established in June 2022, with all transactions expected to close on or after April 1, 2024, being subject to review.
- ➔ Through OHCA, regulators have advance review authority for healthcare-related transactions in CA that meet a specific set of parameters. Parties with transactions that qualify for review must file a notice of material change transaction to OHCA at least 90 days prior to transaction close.

Notable Q2 2024 Transactions under Regulatory Scrutiny

Novant Health and CHS Call off \$320 Hospital Transaction due to FTC Challenge



FTC Requests Additional Information for a Second Time Regarding Novo Nordisk's Planned Acquisition of Catalent



Sources: Sheppard Mullin, *Becker's Hospital Review*, and HCAI.

Parties and Transactions Subject to OHCA Review

- ➔ Parties subject to the OHCA review process include providers, payers, and fully integrated delivery systems. To be reviewed, transactions must be considered "material change transactions."
- ➔ To be subject to the review process, healthcare entities will have one of the following:
 - At least \$25 million in CA-derived annual revenue or \$25 million in CA assets
 - At least \$10 million in CA-derived annual revenue or \$10 million in CA assets and be a party to a transaction with any \$25 million entity
 - Located in a designated primary care health professional shortage area (HPSA) in CA
- ➔ All entities transacting in CA should be aware of the intricacies of the newly developed OHCA review process and prepare for the additional time required for regulatory approval.

Private Equity in Healthcare

Private Equity Quarterly Synopsis

- In Q2 2024, there were 160 announced US healthcare private equity deals, up from 136 in the prior quarter. Q2 was marked by a couple \$1 billion-plus transactions, including an affiliate of THL Partners acquiring Agiliti, a MedTech company, for approximately \$2.5 billion.
- Private equity in healthcare has come under greater scrutiny due to Steward Health Care's recent bankruptcy announcement, driven in part by the sale-leaseback agreements completed by former private equity owner Cerberus. However, this increased scrutiny did not lead to an absolute decline in transaction volume from the previous quarter.

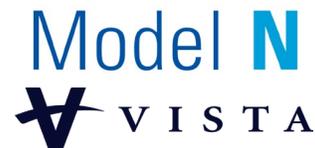
Significant Healthcare Private Equity Transactions: Q2 2024

Agiliti, a MedTech Provider, Will Be Acquired by an Affiliate of THL Partners



An affiliate of THL Partners will acquire Agiliti for \$10 cash per share (approximately \$2.5 billion total).

Model N Announced Acquisition by Vista Equity Partners



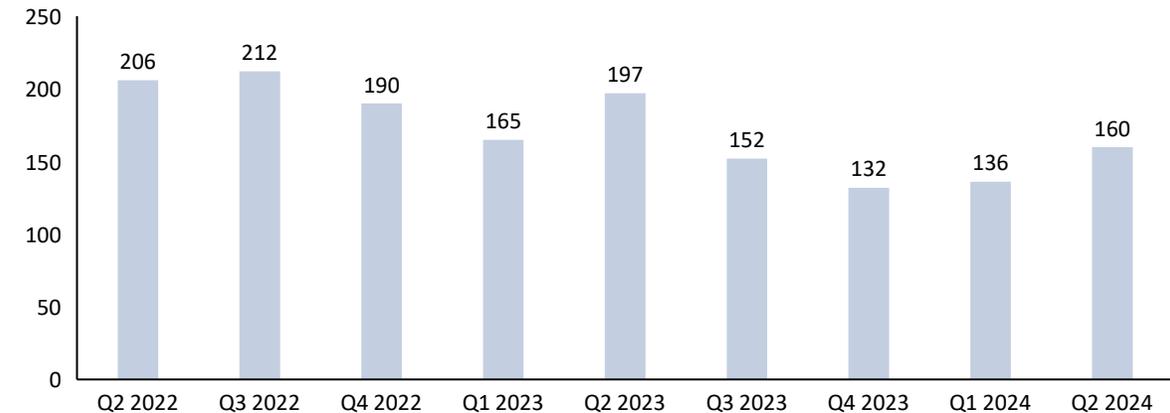
Vista will acquire all the outstanding shares of Model N common stock for \$30 cash per share (approximately \$1.25 billion total).

Sharecare Agrees to be Acquired by Healthcare Investment Firm Altaris



Altaris will purchase the digital health company for \$1.43 in cash per share (approximately \$518 million total).

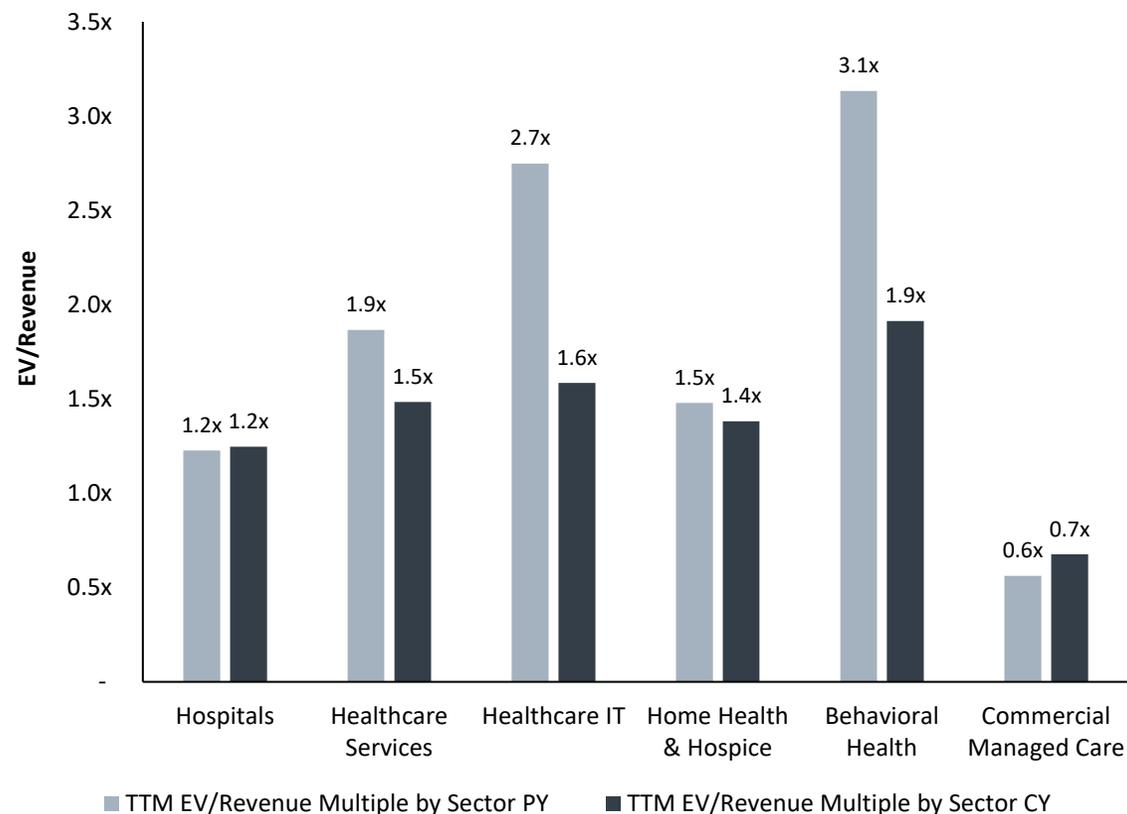
Announced US Healthcare Private Equity Deals by Quarter



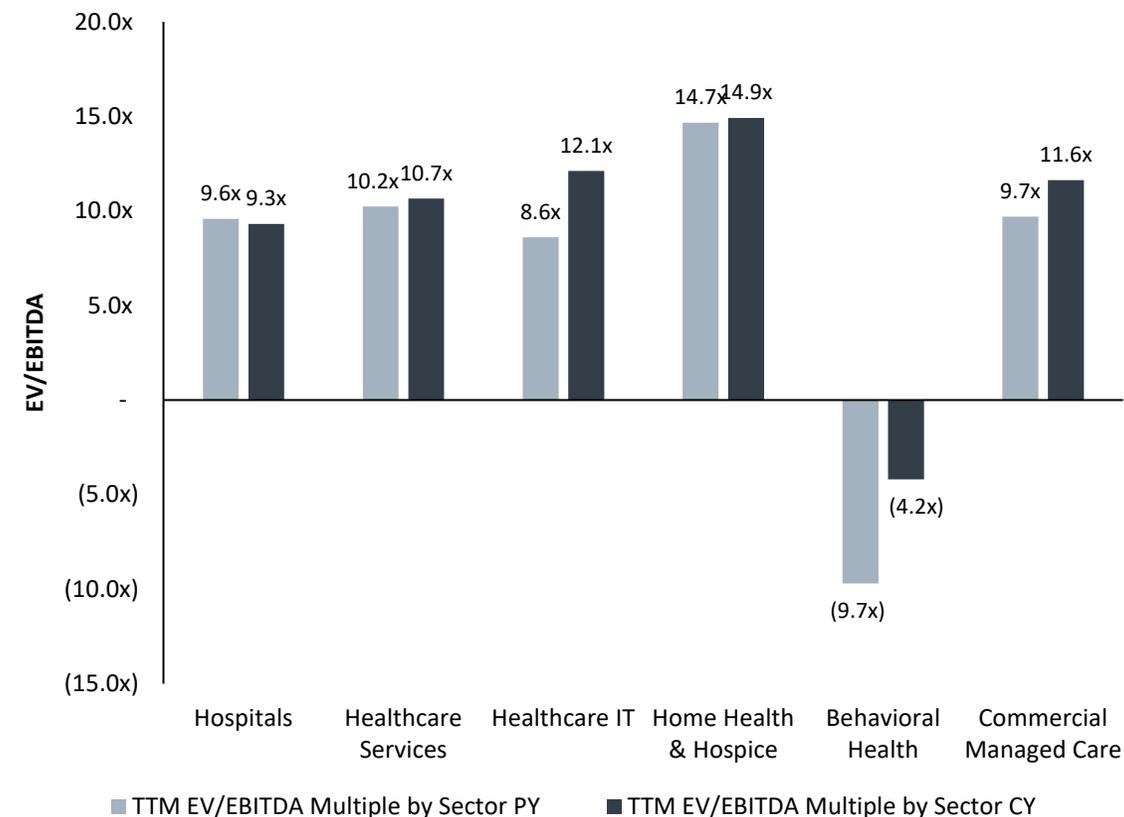
Sources: LevinPro Healthcare M&A and Fierce Healthcare. Note: Transaction volumes for prior quarters are not adjusted retroactively.

YOY TTM Revenue and EBITDA Medians by Sector

Q2 2024 TTM versus Q2 2023 TTM EV/Revenue



Q2 2024 TTM versus Q2 2023 TTM EV/EBITDA



Source: S&P Capital IQ.

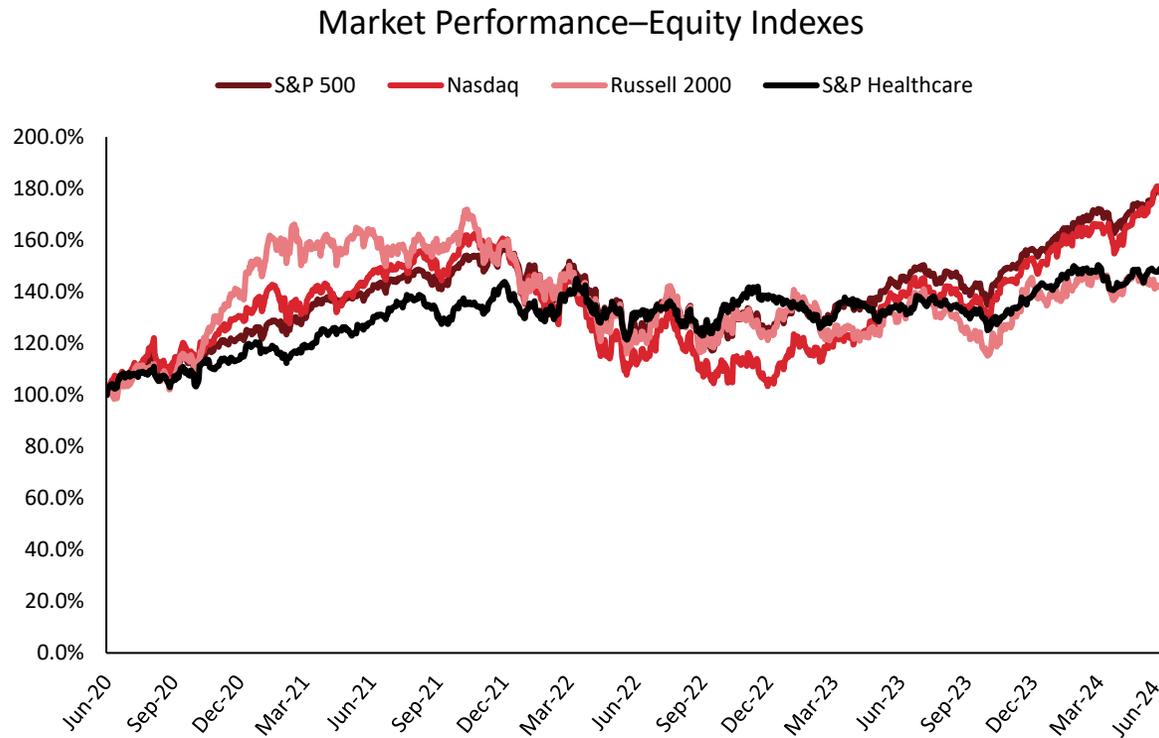
Notes: CY = current year; EV = enterprise value; PY = prior year; TTM = trailing 12 months; YOY = year over year. A list of companies included in each sector is shown at the end of this presentation.

Comparisons reflect publicly available information as of July 1, 2024.

Equity and Bond Index Comparison

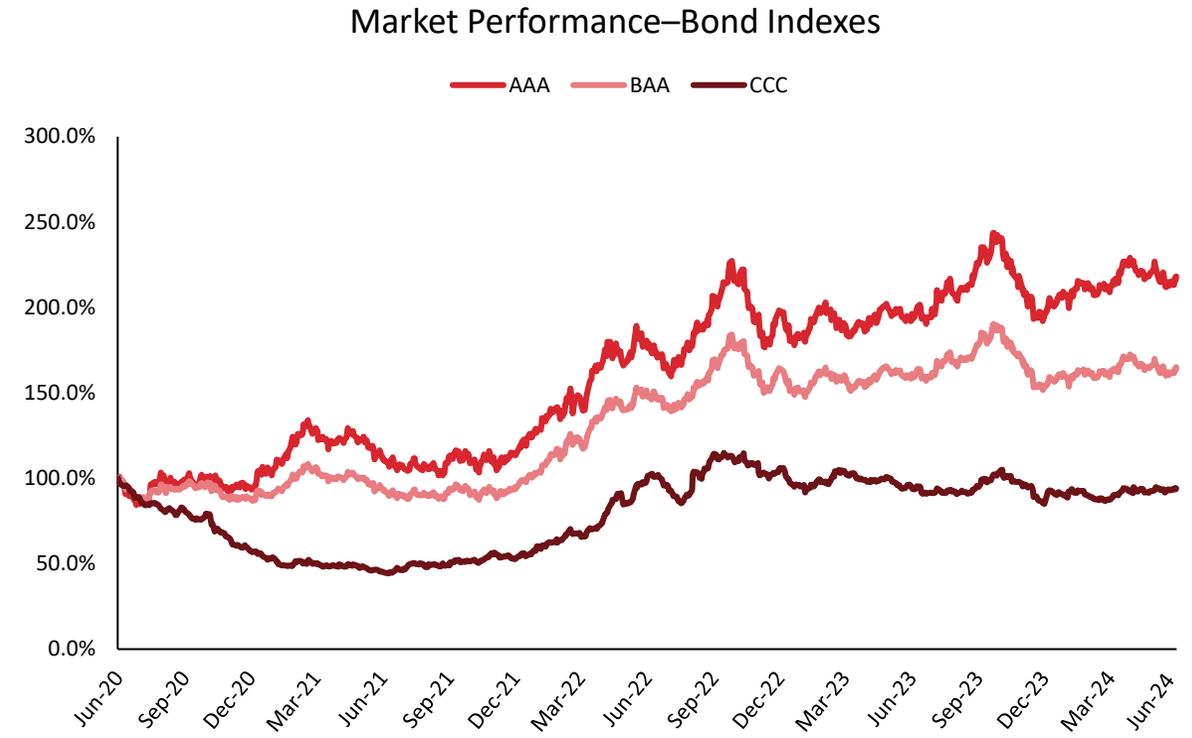
Nasdaq continues to outperform the S&P 500 Health Care sector, while the overall market has seen substantial growth in the second quarter of 2024.

Equity Index Trend



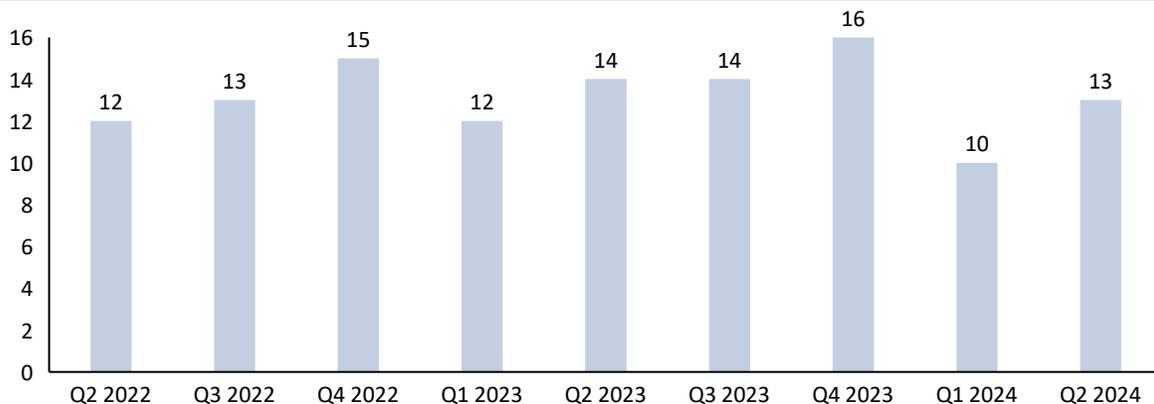
Source: S&P Capital IQ.

Bond Index Trend

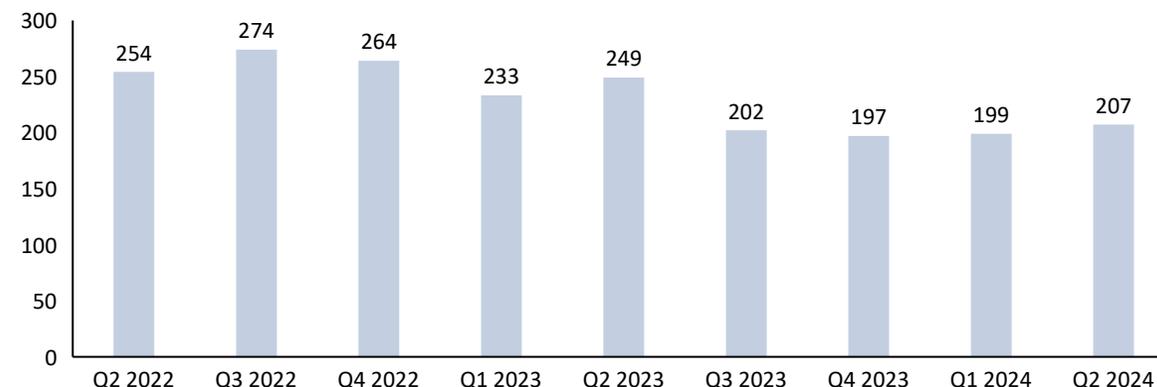


Quarterly Transaction Trends by Sector¹

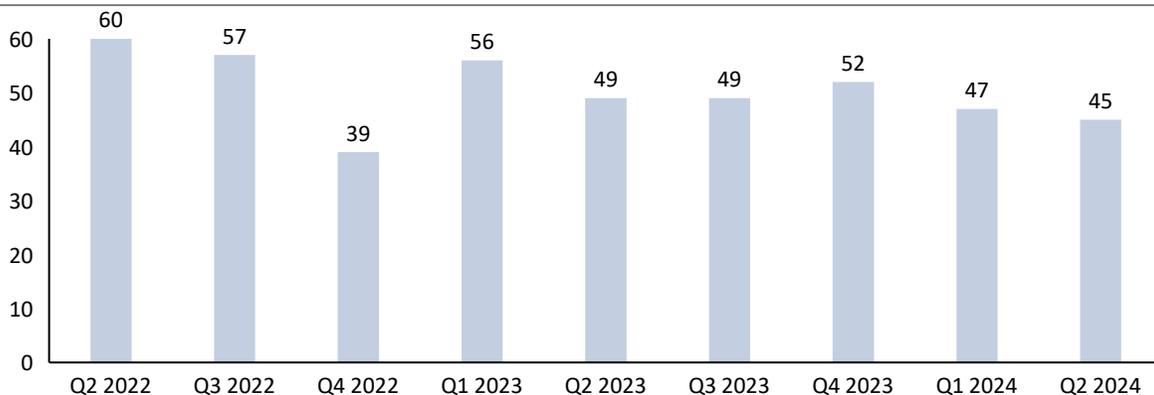
Hospitals



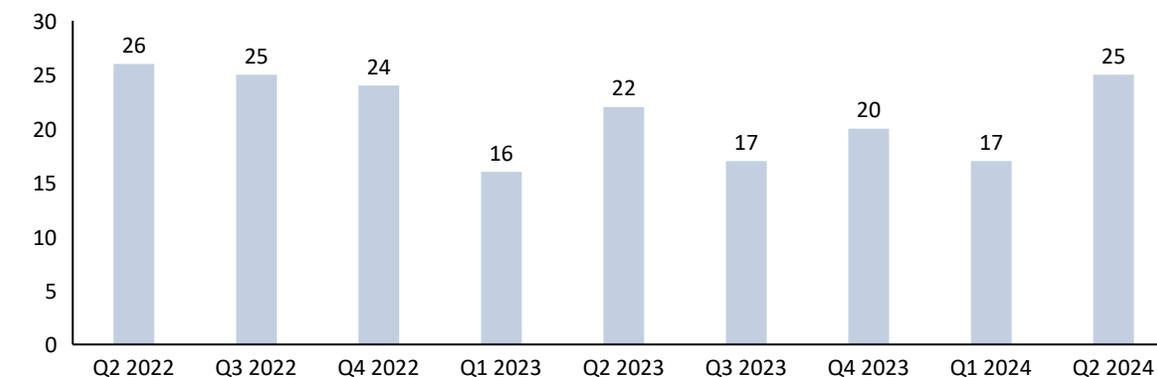
Healthcare Services



Health Tech Trend



Home Health and Hospice

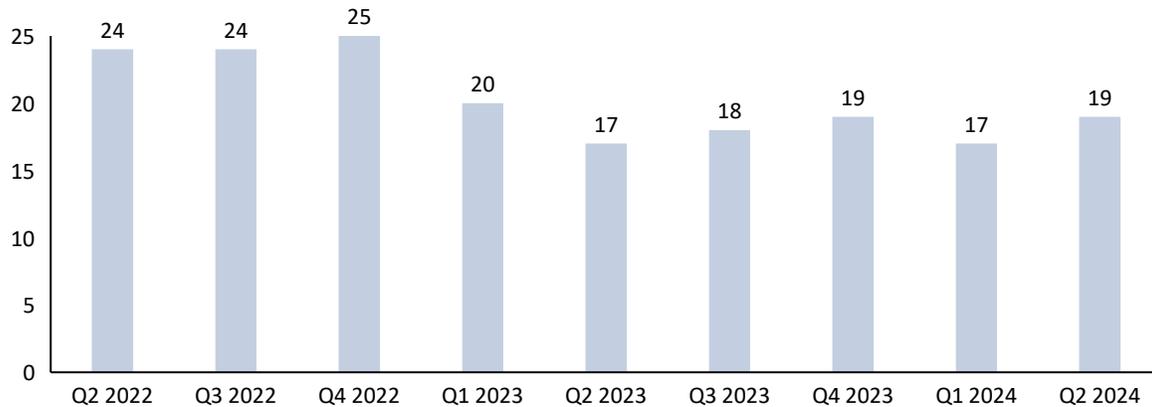


Source: LevinPro Healthcare M&A. Note: Transaction volumes for prior quarters are not adjusted retroactively.

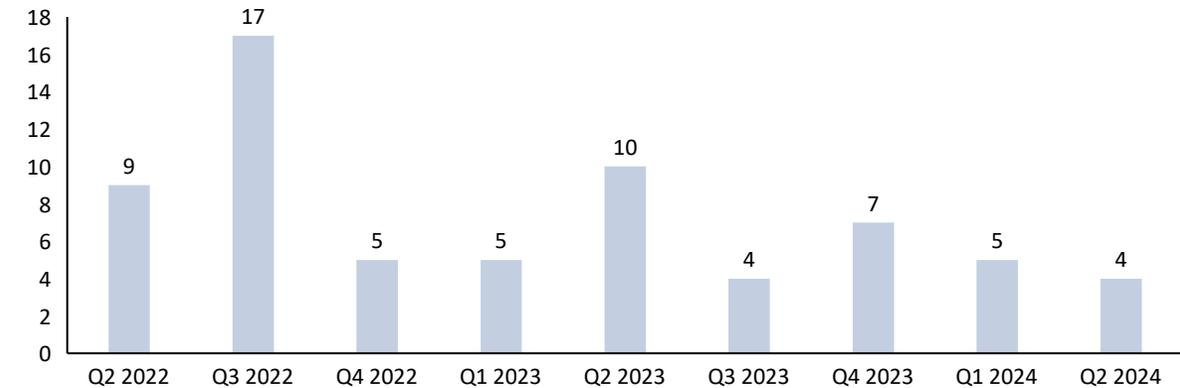
¹ Health services include deals in biotechnology, laboratories, MRA and dialysis, ACOs, ASCs, chiropractic, CROs, GPOs, health clinics, payments and billing, home equipment, infusion, occupational health, organ transplant, outpatient clinics, population health, primary and value-based care, specialty pharmacy, urgent care, pharmaceuticals, physician medical groups, and rehabilitation. All transaction counts sourced from LevinPro Healthcare M&A.

Quarterly Transaction Trends by Sector *(continued)*

Behavioral Health



Managed Care



- ➔ Transaction volume increased quarter over quarter in four out of six analyzed sectors, including hospitals, healthcare services, home health and hospice, and behavioral health. Transaction volume decreased during the same period for healthcare technology and managed care.
- ➔ The Q2 2024 announced transaction volume for healthcare services and home health and hospice was the highest over the last year.

Source: LevinPro Healthcare M&A. Note: Transaction volumes for prior quarters are not adjusted retroactively.

ECG Mergers, Acquisitions, and Partnerships Team Leadership

From our more than 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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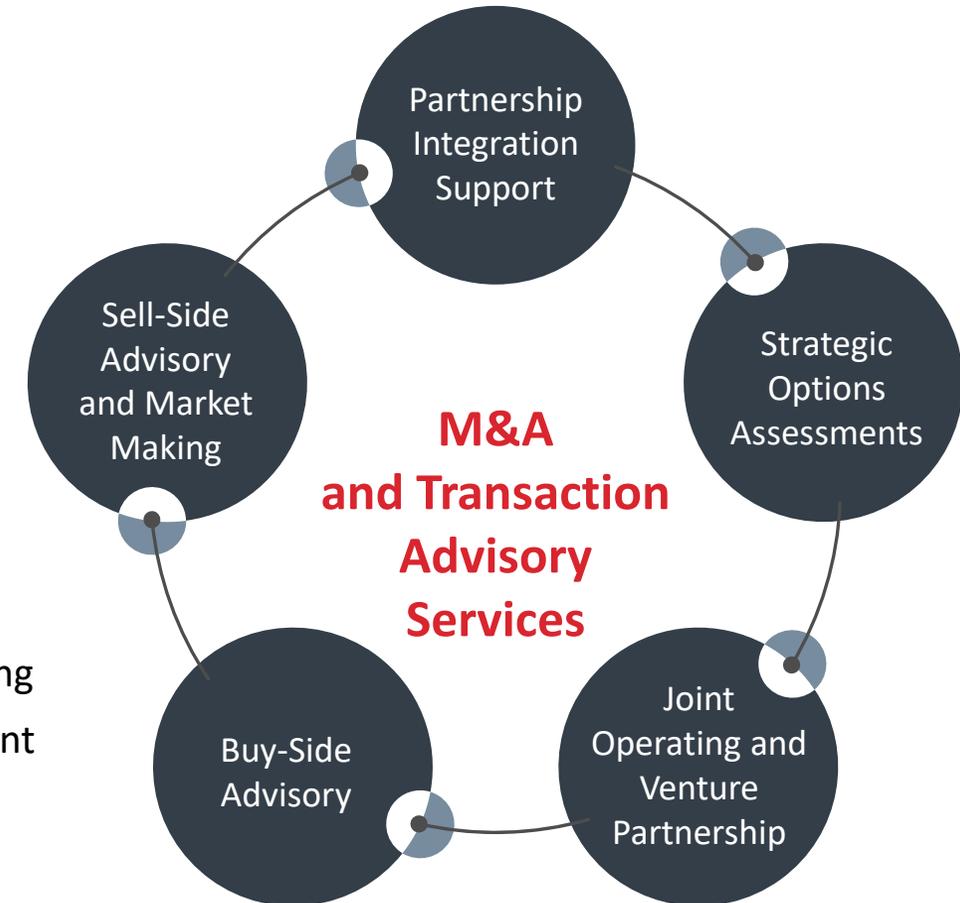
Lucas Hein, Senior Analyst: lwhein@ecgmc.com

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
- Posttransaction integration
- Fair market value and fair value opinions



Selected Companies by Sector

Hospitals

HCA Healthcare (HCA), Tenet Healthcare Corporation (THC), Community Health Systems (CYH), and 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 (FMS), HCA Healthcare (HCA), Pediatrix Medical Group (MD), National HealthCare Corporation (NHC), Select Medical Holdings Corporation (SEM), Surgery Partners (SGRY), Tenet Healthcare Corporation (THC), the Ensign Group (ENSG), GoodRx Holdings (GDRX), and Universal Health Services (UHS)

Healthcare IT

Accolade (ACCD), Veradigm (MDRX), CareCloud (CCLD), Certara (CERT), TruBridge Inc. (TBRG), the Craneware Group (CRW), Definitive Healthcare (DH), Doximity (DOCS), Evolent Health (EVH), Health Catalyst (HCAT), Healthcare Triangle Inc. (HCTI), HealthStream (HSTM), NantHealth Inc. (NHIQ), National Research Corporation (NRC), NextGen Healthcare (NXGN), Omnicell (OMCL), OptimizeRx Corporation (OPRX), Phreesia (PHR), Premier Inc. (PINC), R1 RCM (RCM), Streamline Health Solutions (STRM), and Tabula Rasa HealthCare (TRHC)

Home Health and Hospice

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

Behavioral Health

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

Commercial Managed Care

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