

Healthcare Services Quarterly Roundup

Sector Spotlight: Home Health & Home Care

FALL 2022



Welcome!

As you well know, **home health and home care services** have changed dramatically in the last 24 months. The pandemic, staffing shortages, inflation alongside rising costs, alternative payment methods, and reimbursement rate changes have been major disruptors.

For some, this disruption is a boon. For others, a daily challenge in navigating a consistent standard of care for patients and a safe, rewarding working environment for caregivers.

As the landscape continues to shift, The DAK Group is partnering with healthcare services leaders in the home health and home care, behavioral health, healthcare IT, and pet health verticals to help them with exit planning, investment and sale processes, and mergers & acquisitions.

Please reach out with any questions you may have on the report or related to your own business– we are always happy to speak with you.

Enjoy the Report!

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Healthcare Services Quarterly Roundup

Sector Spotlight: Home Health & Home Care | Fall 2022

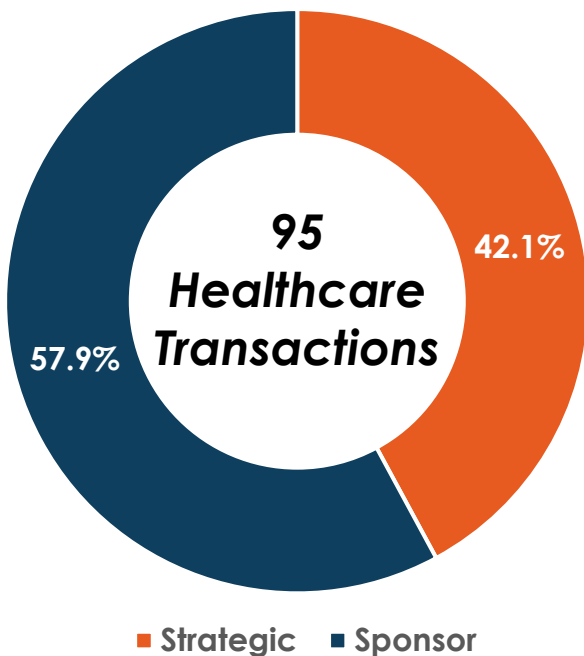
The post-pandemic healthcare environment has seen an **accelerating shift of care from inpatient to outpatient**, with home-based and digital care services gaining market share thanks to convenience, cost effectiveness, and quality of care.

While deal value and count in the overall healthcare market has dropped in 2022, **home health and related services M&A has remained resilient thanks to significant activity from strategic and financial acquirers**. 2022 activity is projected to be close to, but not above 2021.

Notable Home Healthcare Transactions

 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p>  <p>a portfolio company of</p> 	 <p>has been acquired by</p>  <p>a portfolio company of</p> 	 <p>has been acquired by</p>  <p>a portfolio company of</p> 
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U.S. Healthcare M&A Activity by Size (Q3 2022 LTM)



Articles We're Reading

- [From Facility to Home: How Healthcare Could Shift by 2025](#)

- [8 Home Care Trends To Watch For in 2022 \(And Thoughts From 14 Experts\)](#)

- [CMS Backs off Severe Cuts, Finalizes 0.7% Increase to 2023 Provider Payments](#)


Key Home Health & Home Care Trends

With COVID-19 and the implementation of the Patient Driven Groupings Model (PDGM) in the rear view, **many of the macro factors driving home health are positive**. However, risks associated with staffing, rising operating costs, and the new CMS rule are creating uncertainty.



A primary driver for the increased demand in home healthcare providers is the affordability of home care when compared to inpatient hospital care. Medicare Part A and Part B payments for home care cost \$50 per day on average; substantially more affordable when compared to recurring payments for hospice care (\$135), skilled nursing facilities (\$303), and hospitals (\$1,479).



Up to \$265 billion worth of care services currently being delivered in clinics, medical facilities, and physicians' offices could shift to home care alternatives by 2025. This represents a 3 – 4x increase in home care spending driven by scaling inpatient health services to home care alternatives, combining services into a comprehensive offering, and further developing home care services.



COVID-19 has resulted in a shift towards digital healthcare intervention with remote patient monitoring and frequent telehealth visits. The increased digitalization in healthcare has enabled patients with limited mobility and disabilities to receive high quality care while having the convenience of staying at home.



The pediatric market is projected to grow to \$58 billion by 2030 at a an 8.8% nine-year CAGR. Demand is driven by the growing population of Children with Medical Complexities (CMC) requiring extensive at-home care.

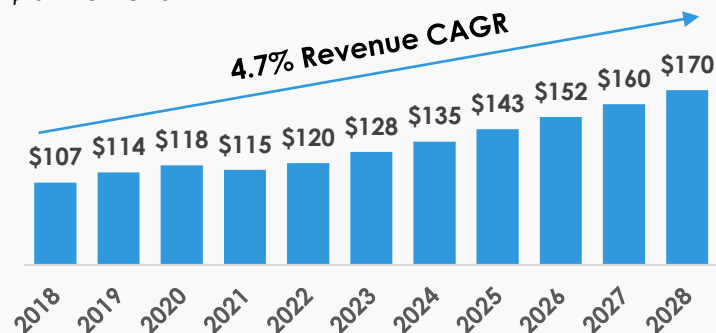
The number of adults aged 65 or older is expected to increase at a 2.6% CAGR through 2028. Elderly adults often prefer the independence of home care; increased nutrition quality and safety have resulted in longer life spans.



The combination of the new CMS rule with difficulties in staffing could dampen company performance but drive consolidation. The 2023 CMS rule decreases Medicare payments by ~\$630 million or (3.9%), with a net impact of (3.5%) since the adjustment only affects 30-day payment rates. This could compress provider financial performance and caregiver wages, thus exacerbating staffing challenges but also driving the need to consolidate to compete.

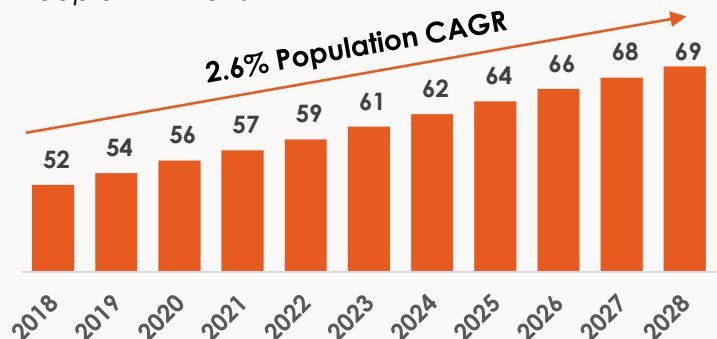
Home Healthcare Revenue 2018 - 2028

\$'s in billions



Adult Population Aged 65 or Older

People in millions



Company Performance & Valuation Continuum

In today's home health and home care market, **understanding how company, market, and regulatory-specific drivers can affect risk, growth, and targeted outcomes is critical** to both operational and financial performance as well as valuation upon a potential exit.

Company Specific Factors

Key Factors	Performance Impact	Valuation Impact
Company Momentum	●	◐
Customer (Payor) Diversity / Concentration	◐	●
Geographic (State) Diversity / Concentration	◐	●
Scope of Services Offerings	◐	◐
Fill Rates / Strength of Staffing	●	●
Strength of Systems (EMR & EHR)	◐	◐
Strength of Management Team	◐	●
Sustainability of Business Model	◐	◐
Financial Profile & Unit Economics	◐	●
Growth Trajectory	◐	●
Aggregate Scoring	◐	◐

Market Specific Factors

Key Factors	Performance Impact	Valuation Impact
Strength of M&A Market	?	●
Strength of Financing Markets / Rate Risk	◐	◐
Availability and Bandwidth of Buyers	◐	◐
Opportunity Size vs. Market Appetite	?	◐
Aggregate Scoring	◐	◐

Regulatory Specific Factors

Key Factors	Performance Impact	Valuation Impact
Macro Healthcare Regulatory Risk	◐	◐
Outcome of New CMS Ruling	●	◐
Exposure to Medicare / Medicaid	●	◐
Availability of Labor and Staffing	●	◐
Aggregate Scoring	●	◐

Deals to Know from Q3 2022



Acquirer



Target

August 2022: Pennant Group, a healthcare services provider home health, hospice, and assisted living services, acquired **Ardent Hospice & Palliative Care**, a provider of hospice and health services based in California. Through this acquisition, Pennant Group extended its service offerings in the Palm Springs and Central Valley areas while also strengthening its presence in San Diego.



Acquirer



Target

July 2022: Sonas Home Health Care, a private, multi-site and multi-state home health and adjacent services provider, acquired **Focus Forward Skilled Care**, a provider of pediatric home healthcare services throughout Florida. Sonas acquired Focus Forward to grow the size of its Florida patient census, yield reimbursement rate synergies, and grow state market share.



Acquirer



Target

June 2022: St. Croix Hospice, a Minnesota-based hospice program and services provider backed by **H.I.G Capital**, acquired **Lexington Hospice**, a hospice agency providing end-of-life care to patients in their facilities and homes. With this acquisition, St. Croix Hospice grew its presence in the Illinois area. St. Croix operates in 50 offices across nine states with 1,200 employees serving over 3,000 patients.



Acquirer



Target

June 2022: Pediatric Home Service, a provider of in-home pediatric care to medically-complex and technology-dependent patients backed by **InTandem Capital Partners**, acquired **Craig HomeCare**, a nursing agency operator specializing in pediatric private duty nursing and home care services. With this transaction, Pediatric Home Service expands its pediatric service offerings into Kansas, Missouri, and Nebraska, thus expanding its market to serve children with medical complexities.



Acquirer

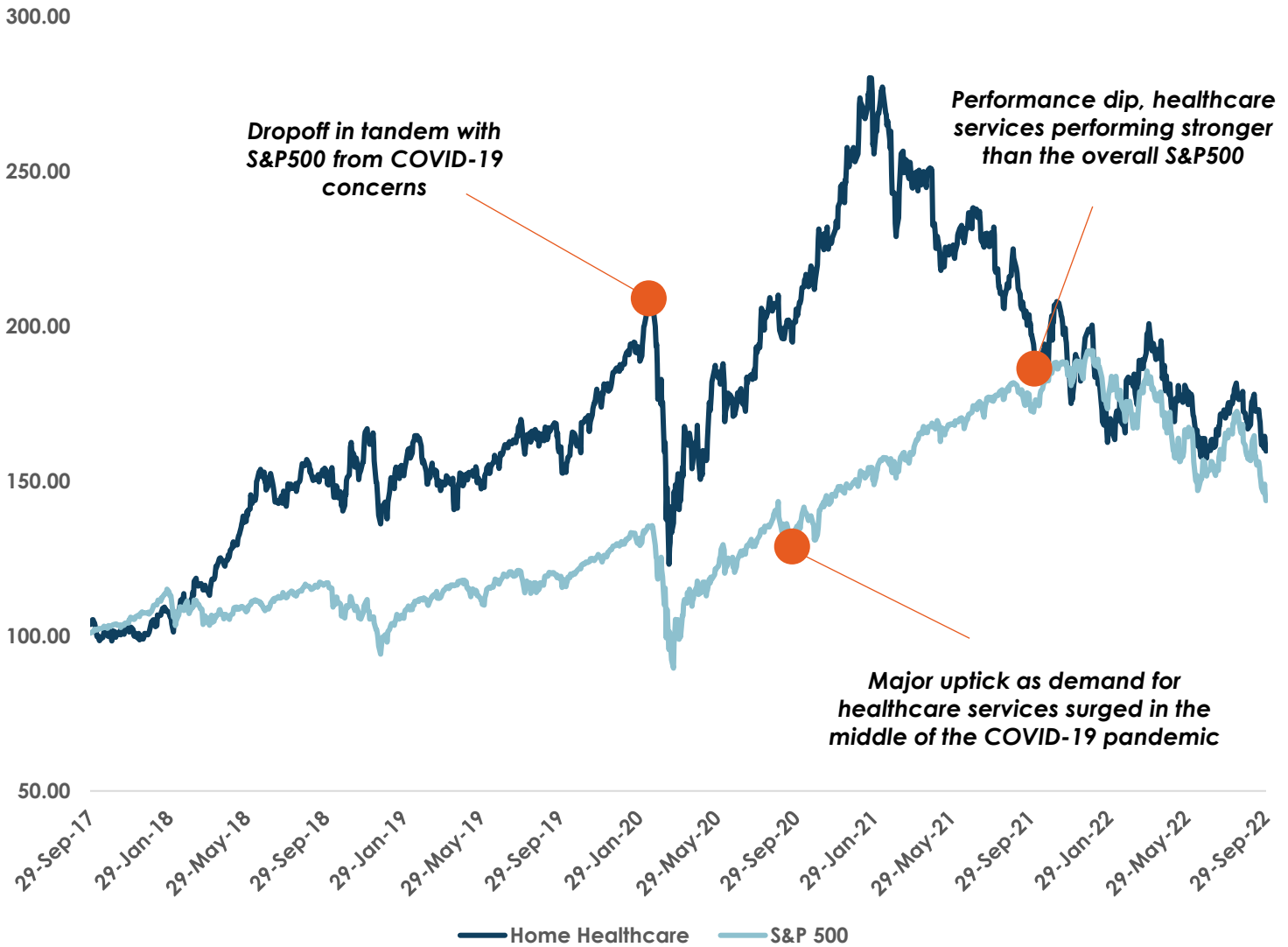


Target

May 2022: Agape Care Group, a provider of hospice, palliative and pediatric comfort care services backed by **Ridgemont Equity Partners**, acquired **Hospice of the Carolina Foothills**, a South Carolina-based hospice services provider. Through this acquisition, Agape Care Group continues its multistate expansion through the Southeast, increasing its hospice and palliative care across three states.

Public Company Performance & Key Competitors

Home Healthcare Public Company Stock Performance – Last 5 Years



Public Company Competitive Landscape

The competitive landscape includes the following companies:

- ADDUS HOME CARE**
- amedisys**
- aveanna healthcare**
- BROOKDALE SENIOR LIVING**
- CHEMED CORPORATION**
- Encompass Health**
- enhabit Home Health & Hospice**
- ENSIGN GROUP**
- Genesis**
- LHC GROUP** (It's all about helping people.)
- modivcare**
- NHC NATIONAL HEALTHCARE CORPORATION**
- option care health**
- PENNANT GROUP**

Home Health & Home Care (Report Focus)

Home service offerings for individuals including skilled and non-skilled assistance in daily life, after surgical procedures or for end-of-life care. Specific services include in-home personal care, nursing, assisted living, rehabilitative therapy, and hospice care.

Home Health Home Care Pediatric Hospice Assisted Living PDN & Non-Medical

Select Market Participants



Key Trends⁽¹⁾

- The increase of adults aged 65 has resulted in a spike in home health demand; 20.9% and 50.2% of those aged between 75 – 84 and 85+, respectively, require living assistance.
- Home health aids address chronic illnesses such as coronary artery disease and congestive heart failure, which are common among seniors. 6/10 adults in the U.S. have a chronic disease; 4/10 have two or more chronic diseases; and chronic illness is on the rise, driving pediatric care.
- Substantially more affordable when compared to substitute services, such as inpatient care.



Behavioral Healthcare

Inpatient and outpatient behavioral healthcare services including psychiatric care, mental health treatment, substance abuse, and addiction care. Patients are treated in a hospital environment or a third-party facility.

Mental Health Psychiatric Hospitals Substance Abuse Clinics

Select Market Participants



Key Trends⁽¹⁾

- 1/25 adults live with a severe mental health illness.
- Increasing consolidation to meet the rising demand and pursue cost efficiencies.
- The Covid-19 pandemic accelerated mental health issues due to social isolation and financial stress.
- The industry is expected to expand as social stigma related to addressing mental health issues subsides and more individuals seek out behavioral healthcare treatment.

DAK Group's Healthcare Services Ecosystem



Healthcare IT

Increasing digitalization and technological advancements are creating new efficiencies in patient care and record keeping. Healthcare technology services include electronic health and medical records (EH/MR) as well as telehealth services.

EMR HER Telehealth Data Analytics

Select Market Participants



Key Trends⁽¹⁾

- Advancements in and increased ease of use of communication technology has resulted in a dramatic shift towards telehealth services.
- Federal legislation has incentivized providers to digitize records and adopt EMR / EHR systems.
- The COVID-19 pandemic has increased adoption thanks to the demand for patient exposure, infection, and vaccination tracking.



Pet Healthcare

Pet health offerings including medical, dental, and surgical treatment performed by licensed veterinary practitioners, laboratory and diagnostic testing, as well as the development of tests, therapeutic drugs, and diagnostic tools for veterinary care.

Veterinary Healthcare Animal Lab Services Emergency Services Biotechnology & Devices

Select Market Participants



BRANFORD CASTLE PARTNERS



Key Trends⁽¹⁾

- As 70% of U.S. households, or 90.5 million homes, have at least one pet, the demand for routine veterinary services continues to grow.
- Advancements in veterinary technology and medicine has lengthened the lifespan of many pets, driving growth for the industry with routine care and chronic disease management.
- Over the course of the COVID-19 pandemic, 11.4 million U.S. households acquired a new pet which is projected to boost demand for pet healthcare services.



Transaction Characteristics

Private Businesses Closely held, entrepreneurial, family owned and multi-generational

Financial Sponsors Committed funds, independent sponsors, and family offices

\$2-40 EBITDA

\$10-400 MM enterprise value

\$10-150 MM average annual revenue

Focused Middle Market Coverage

Healthcare Services



Generalist Coverage



Diversified Industrials



Pro Audio Visual



Advisory Focused Investment Banking

M&A Advisory

Buy and sell-side domestic and cross-border transactions including sales, divestitures, mergers, acquisitions, recapitalizations, LBOs and MBOs, and distressed or 363 sales

Strategic Advisory & Valuation

Preparation of valuation, fairness opinion, market feasibility, strategic advisory & planning, business plan, and pre-transaction planning analysis

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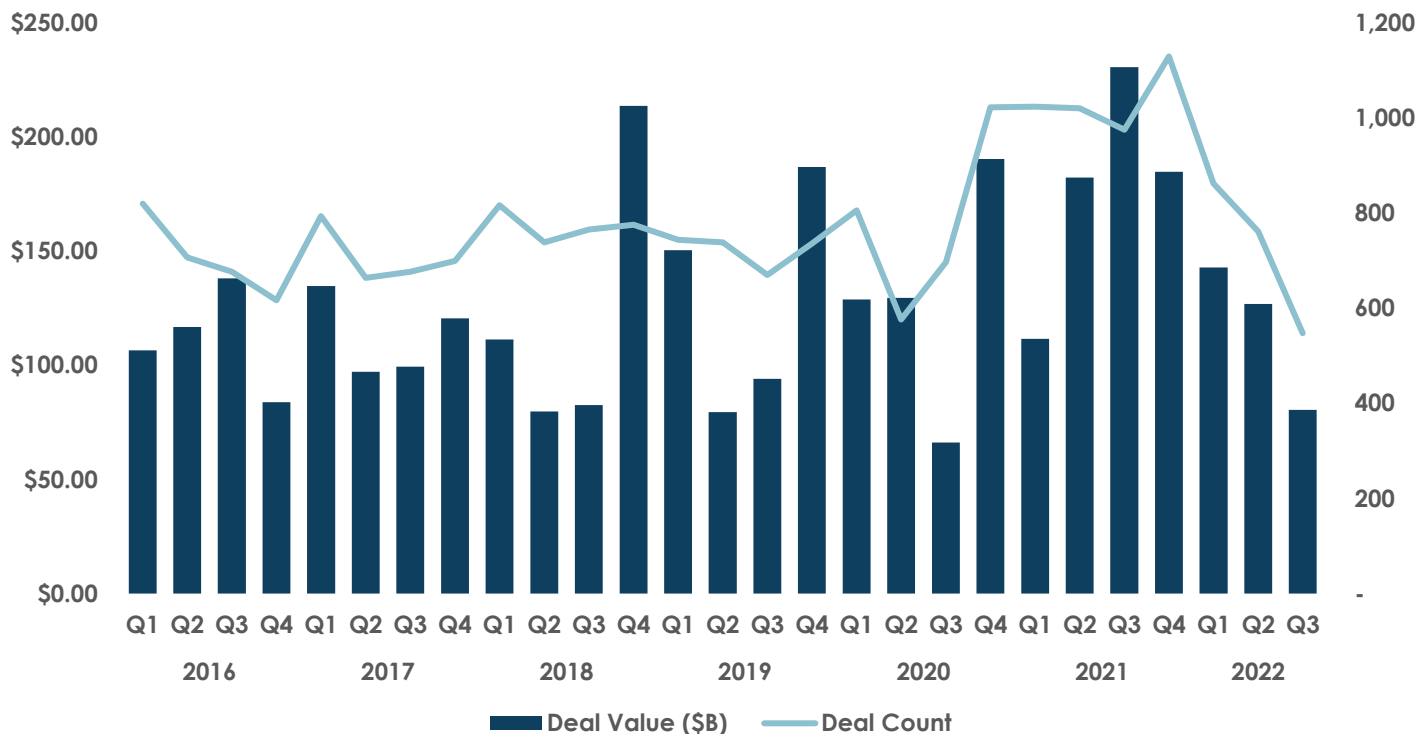
Sector Spotlight: Home Health

Market & Valuation Pointers

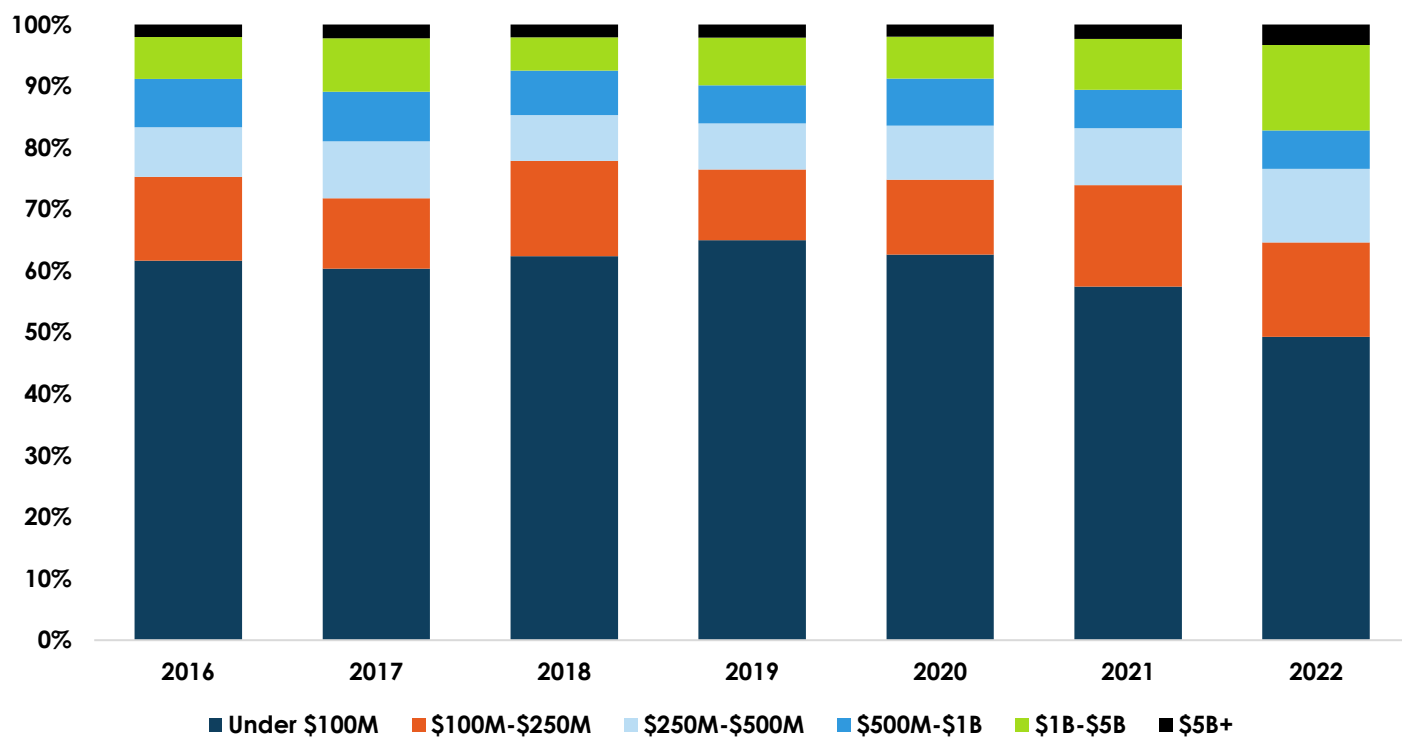


Healthcare M&A: Aggregate Activity

Healthcare M&A Activity by Quarter (2016 – Q3 2022)

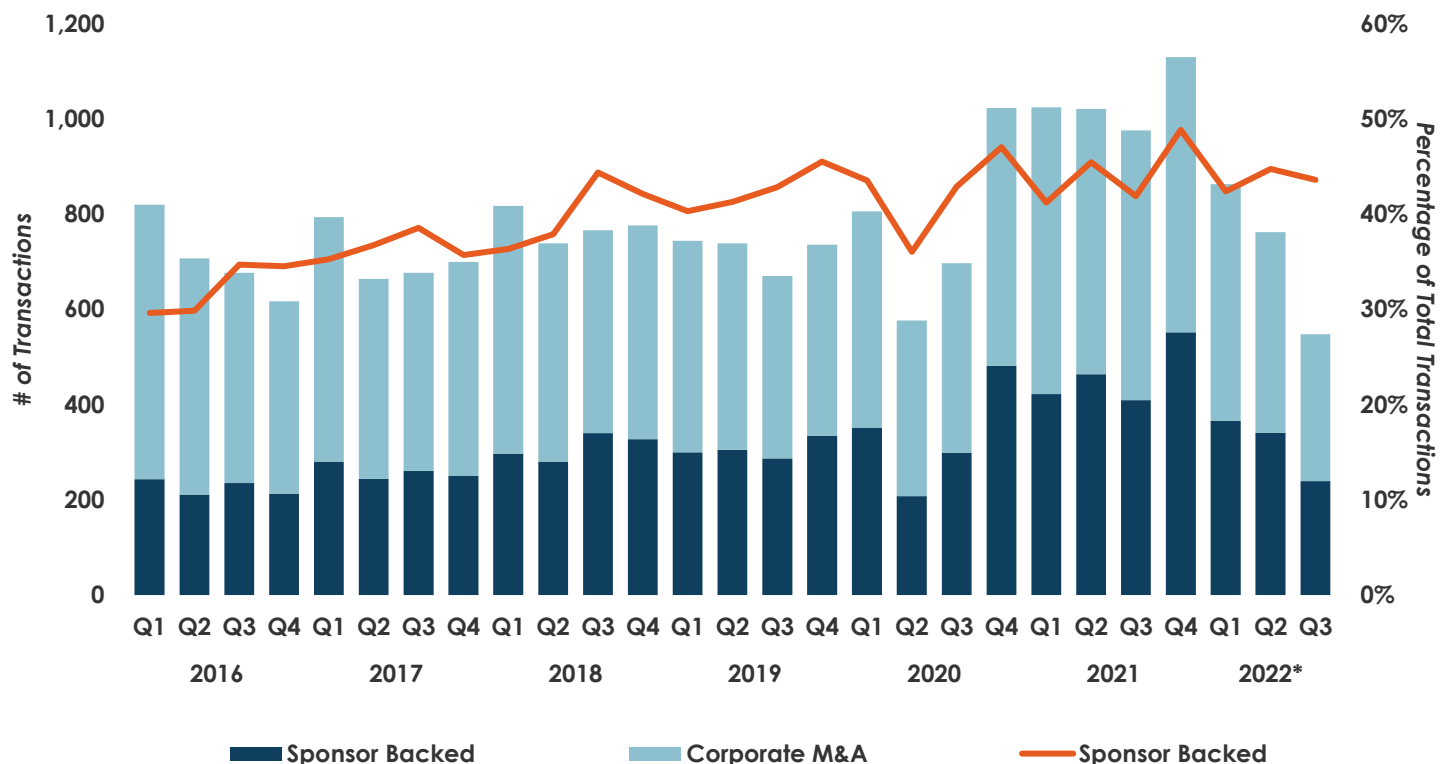


U.S. Healthcare M&A Activity by Size (2016 – Q3 2022)

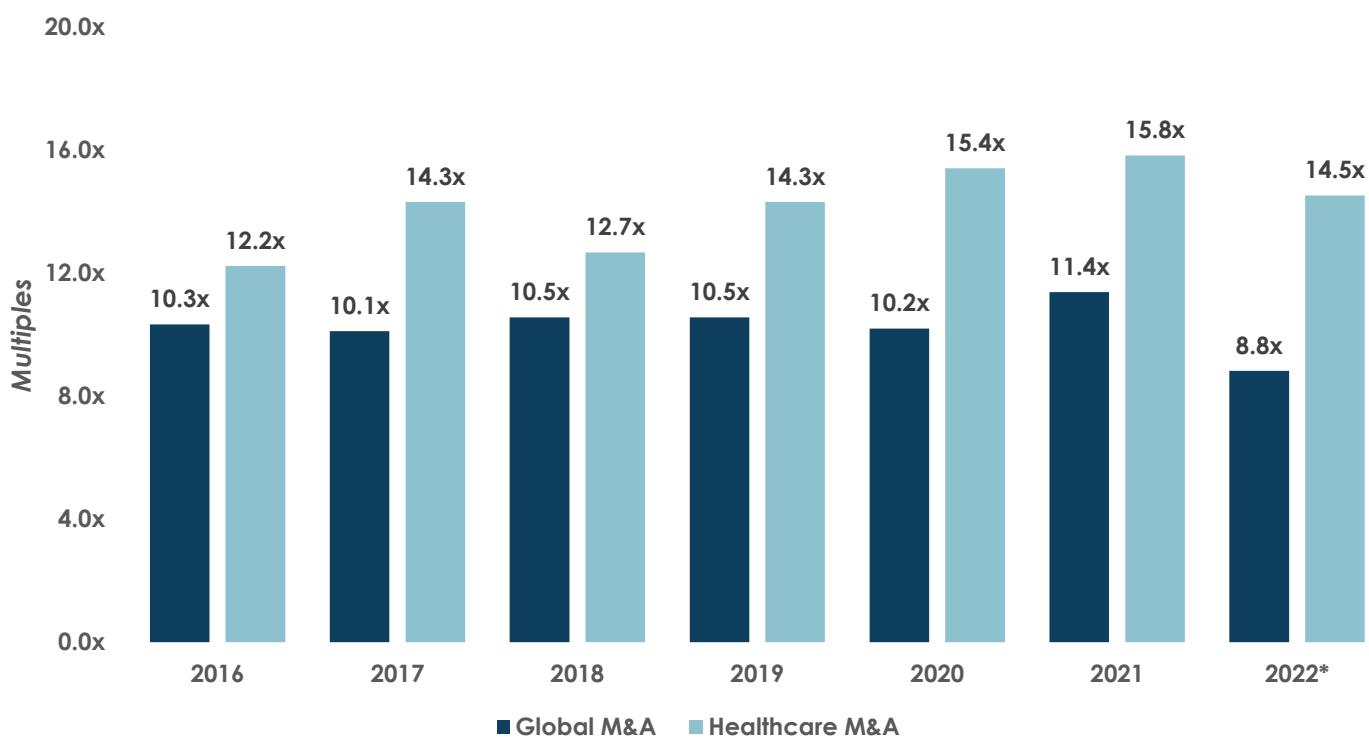


Healthcare M&A: Acquirer Activity and Multiples

Healthcare M&A Activity by Acquirer Type (2016 – Q3 2022)



Healthcare M&A Transaction Multiples (2016 – Q2 2022)



Home Health & Home Care Precedent Transactions Analysis

US\$ in millions				Enterprise			EBITDA	EV as Multiple of	
Date	Target	Target Description	Acquirer	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
11-Aug-22	Kindred at Home (Hospice and Personal Care Business Division)	Provider of hospice, palliative, community and personal care intended to provide compassionate care and service to the patients and families it serves.	Clayton, Dubilier & Rice	\$3,400	N/A	\$283.3	8.3%	N/A	12.0x
01-Apr-22	GoodNight Medical	Provider of sleep diagnostic testing intended to help diagnose a sleep apnea patient in their home.	Amedisys	\$7.0	\$7.8	\$1.5	19.1%	0.9x	4.7x
29-Mar-22	Apria	Provider of integrated home healthcare equipment and related services intended to improve the quality of life for patients with home care needs.	Owens & Minor	\$1,530.4	\$1,145.3	\$216.4	18.9%	1.3x	7.1x
30-Nov-21	Accredited Nursing Care	Provider of home caregiver services intended for ill, disabled, elderly and homebound patients.	Aveanna Healthcare	\$224.2	\$114.8	N/A	N/A	2.0x	N/A
22-Nov-21	Stateserv Medical	Distributor and supplier of durable medical equipment intended to serve the hospice and healthcare industry.	WindRose Health Investors	\$440.0	N/A	\$30.0	N/A	N/A	14.7x
14-Sep-21	CareFinders Total Care	Provider of home health services to the elderly, sick, children, rehabilitating seniors and people with disabilities.	ModivCare	\$340.0	N/A	\$33.0	N/A	N/A	10.3x

Median	\$991.1	\$422.6	\$132.8	15.5%	\$1.4	\$9.6
Average	\$392.4	\$114.8	\$123.2	18.9%	\$1.3	\$9.5

Low	\$7.0	\$7.8	\$1.5	8.3%	\$0.9	\$4.7
High	\$3,400	\$1,145.3	\$283.3	19.1%	\$2.0	\$14.7

Key Acquirers

Strategic



Sponsor-Backed



Financial Sponsors



Recent Home Health & Home Care Transactions Detail: Q3 2022

Precedent Transaction Analysis

9/30/2022

Date	Target	Target Description	Acquirer	Enterprise Value	Revenue	EBITDA	EBITDA Margin	EV as Multiple of Revenue	EBITDA
16-Sep-22	Auracal Senior Home Care	Provider of personal home health care services intended to support the elderly in South Florida.	Housatonic Partners	N/A	N/A	N/A	N/A	N/A	N/A
14-Sep-22	GHC Hospice	Provider of hospice care services intended to serve rural areas across Georgia and South Carolina.	Agape Care Group	N/A	N/A	N/A	N/A	N/A	N/A
29-Aug-22	HarmonyCares Hospice	Provider of hospice care services located in Saint Louis, Missouri.	Residential Healthcare Group	N/A	N/A	N/A	N/A	N/A	N/A
29-Aug-22	U.S. Medical Management (Grace Hospice of Maumee, Ohio)	Provider of healthcare services based in Maumee, Ohio.	Residential Healthcare Group	N/A	N/A	N/A	N/A	N/A	N/A
16-Aug-22	Ardent Hospice & Palliative Care	Provider of hospice and home health services intended to delivers peace of mind with a mission to relieve pain and suffering.	Pennant Group	N/A	N/A	N/A	N/A	N/A	N/A
16-Aug-22	Three Rivers Home Health Services	Provider of health care services intended to facilitate direct home care services.	LHC Group	N/A	N/A	N/A	N/A	N/A	N/A
11-Aug-22	Kindred at Home (Hospice and Personal Care Business Divisions)	Provider of hospice, palliative, community and personal care intended to provide compassionate care and service to the patients and families it serves.	Clayton, Dubilier & Rice	\$3,400.0	N/A	\$283.3	8.3%	N/A	12.0x
04-Aug-22	Aamani Healthcare Group	Provider of medical and non-medical care and rehabilitative services catering to patients after hospital discharge.	IL2M International	\$51.8	N/A	N/A	N/A	N/A	N/A
02-Aug-22	National Home Healthcare	Provider of home healthcare services committed to delivering personal care to the patients in the comfort of their homes.	Care Advantage	N/A	N/A	N/A	N/A	N/A	N/A
13-Jul-22	Focus Forward Skilled Care	Provider of pediatric health services based in Orlando, Florida.	Sonas Home Health Care	N/A	N/A	N/A	N/A	N/A	N/A
06-Jul-22	Stonerise Healthcare	Provider of clinician-led transitional care services catering to patients throughout West Virginia.	CommuniCare Family of Companies	N/A	N/A	N/A	N/A	N/A	N/A
01-Jul-22	Silverado Hospice (Ventura, San Mateo and Salt Lake City)	Provider of memory and home care services based in Ventura, California.	Mission Healthcare	N/A	N/A	N/A	N/A	N/A	N/A

Home Health & Care Public Comparable Companies Analysis

Public Comparable Company Analysis

As of September 30, 2022

(US\$ in millions)

Home Health, Home Care and Hospice

Company	Ticker	Share Price	FD Market Cap	Enterprise Value	EV / Revenue			EV / EBITDA		
					LTM	2022E	2023E	LTM	2022E	2023E
Encompass Health	NYS: EHC	\$54.64	\$5,500	\$8,447	1.6x	2.0x	1.8x	8.1x	10.4x	9.4x
Chemed	NYS: CHE	\$461.93	\$6,952	\$6,823	3.2x	3.2x	3.1x	14.7x	15.1x	14.6x
Option Care Health	NAS: OPCH	\$31.47	\$5,732	\$6,686	1.8x	1.9x	1.7x	20.4x	23.4x	19.7x
LHC Group	NAS: LHCG	\$163.66	\$5,165	\$6,112	2.7x	2.8x	2.6x	25.7x	22.9x	25.4x
Amedisys	NAS: AMED	\$96.79	\$3,176	\$3,764	1.7x	1.7x	1.6x	13.5x	14.7x	13.3x
ModivCare	NAS: MODV	\$99.68	\$1,418	\$2,350	1.0x	1.2x	1.0x	11.1x	11.6x	10.9x
Addus HomeCare	NAS: ADUS	\$95.24	\$1,573	\$1,698	1.9x	1.8x	1.7x	17.1x	16.7x	14.9x
Aveanna Healthcare	NAS: AVAH	\$1.50	\$279	\$1,563	0.9x	0.9x	0.8x	9.4x	10.3x	8.6x
Enhabit Home Health	NYS: EHAB	\$13.05	\$616	\$1,297	1.2x	1.2x	1.1x	7.2x	8.1x	8.1x
Pennant Group	NAS: PNTG	\$10.41	\$323	\$637	1.4x	1.5x	1.4x	18.0x	24.1x	18.5x

Median	1.7x	1.8x	1.7x	14.7x	15.1x	14.6x
Average	1.8x	1.9x	1.7x	14.9x	16.2x	14.7x

25th Percentile	1.4x	1.5x	1.4x	9.4x	10.4x	9.4x
75th Percentile	1.9x	2.0x	1.8x	18.0x	22.9x	18.5x

PDN, Assisted Living, and Therapy Services

Company	Ticker	Share Price	FD Market Cap	Enterprise Value	EV / Revenue			EV / EBITDA		
					LTM	2022E	2023E	LTM	2022E	2023E
Brookdale Senior Living	NYS: BKD	\$4.27	\$927	\$5,683	2.1x	2.1x	2.0x	35.9x	40.9x	21.1x
The Ensign Group	NAS: ENSG	\$79.50	\$4,435	\$5,571	2.0x	2.1x	1.8x	15.4x	16.5x	14.4x
National Healthcare	ASE: NHC	\$63.34	\$981	\$918	0.9x	NM	NM	9.2x	NM	NM
Genesis HealthCare	PINX: GENN	\$0.01	\$2	\$2	NM	0.0x	0.0x	NM	0.0x	0.0x

Median	2.0x	2.1x	1.8x	15.4x	16.5x	14.4x
Average	1.4x	1.4x	1.3x	20.2x	19.1x	11.8x

25th Percentile	1.4x	1.0x	0.9x	12.3x	8.2x	7.2x
75th Percentile	2.1x	2.1x	1.9x	25.6x	28.7x	17.8x

Key Public Comparables

Home Healthcare and Hospice



PDN, Assisted Living, and Therapy Services



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