

Healthcare Services: 2022 Year in Review

Sector Spotlight: Home Health &
Home Care

Winter 2023



Welcome

What a year!

Against the backdrop of an extremely active 2021 fueled by buyers suffering from post-COVID FOMO (fear of missing out), the emergence of alternative payment systems, and an increased desire to consummate acquisitions in the face of inflationary and staffing pressures, M&A activity in 2022 was still strong.

While transaction volumes declined by 13.5% YoY', it was not a major regression. Activity levels were still in line with historical norms, with volumes above 6% the last five years average. While fundamental 2021 M&A trends persisted, rising debt costs, inflation, and pricing pressures put a damper on the velocity of dealmaking.

This report peels back the layers of some of the milestone home health and home care transactions in 2022, discusses key trends and M&A data, and finally, provides a Fireside Chat between The DAK Group and Angelo Spinola of the Polsinelli law firm, where we discuss the current M&A landscape for home health and home care providers and common pitfalls for first time sellers.

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!

The **DAK** Group
Investment Bankers to the Middle Market

Fireside Chat with



*“The number one pitfall first-time seller’s make is **not starting the process soon enough**. When we have a new client, we’ll ask them: **what is your long-term goal? What do you want to accomplish?** And a lot of times you hear “well, we want to sell in three to five years”. **We help them kick the tires on the business, start looking at where there is risk, where it could be flagged, and correcting those issues while there is still runway before due diligence happens.**”*



Angelo Spinola
Shareholder/Practice Chair
Home Health, Home Care,
and Hospice

Be sure to read the Fireside Chat with **Polsinelli’s Home-Care Practice Leader on Pg. 5**

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Healthcare Services: 2022 Year in Review

Sector Spotlight: Home Health & Home Care

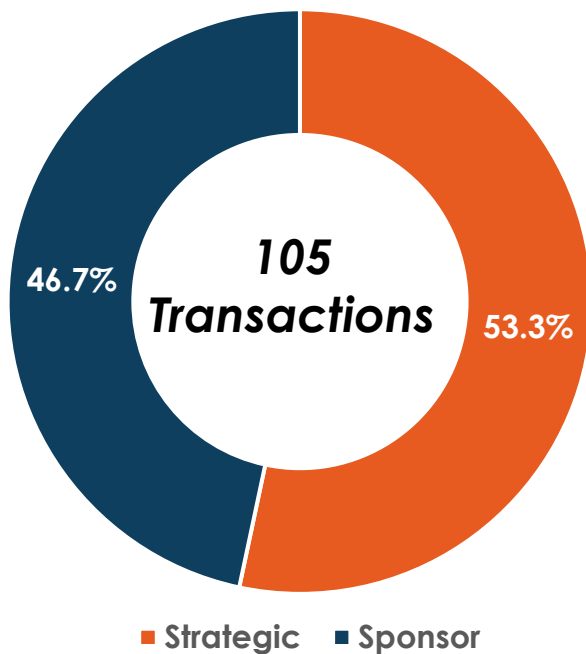
As the shift of care from inpatient to outpatient continues to accelerate, **home-based and digital care services are gaining market share** thanks to convenience, cost effectiveness, and changes in the payor and reimbursement landscape.

While 2022 M&A activity declined after a record 2021, transaction volume was still strong. **2023 is shaping up to be another strong year**, with strategic and financial buyers alike keen to grow via acquisition.

Notable Home Health & Home Care Transactions

 <p>has been acquired by</p> 	 <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 Opened</p> <p>The Bayada Pennsauken Center for Applied Behavior Analysis (ABA) Services</p>
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U.S. Home Health & Home Care M&A Activity (FY 2022)



Articles We're Reading

<p>Home Care Trends for 2023</p> 
<p>Home Health Trends for 2023</p> 
<p>Home Health Care Trends for 2023</p> 
<p>Health Services: US Deals 2023 Outlook</p> 

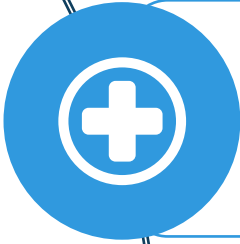
Key Home Health & Home Care Trends

Core demographic changes and the shift towards more cost-effective, outpatient care supports **strong sector growth through 2030**. While inflation, reimbursement risk, and staffing challenges are still creating uncertainty, **opportunities exist as providers innovate** across the continuum of care.



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.



A primary driver for the increased demand in home-based care 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).



Decline in the number of home health agencies is expected to continue as providers navigate the severe strain on recruitment and retention resulting from the impact of the COVID-19 pandemic. Although the turnover rate amongst healthcare staff has dropped for 30.25% for LPNs and 31.19% for RNs, there hasn't been sufficient improvement to meet the mounting demand of the country's aging population. **Post COVID, a 500,000-nurse staffing shortage ballooned to 1.2 million nurses.**



The emergence of alternative payment systems, such as capitated agreements and bundled payments, are leading to a single entity and payor environment where end of life care, intermittent acute care, extended home care, and other care types are being bundled together across care providers and payors.

This paradigm shift consolidates the continuums of care to a more clinically and cost-effective mode of care. This trend is expected to continue as **40% of U.S. healthcare payments flowed through alternative payment models (APMs).**

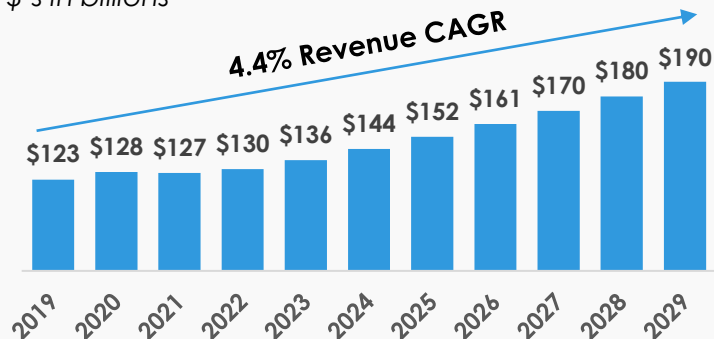


The combination of the new CMS rule and difficulties in staffing could dampen company performance but drive consolidation. The 2023 CMS rule increases Medicare payments by a net amount of ~\$125 million or (0.7%) vs. a proposed 4% cut, which was celebrated by providers.

However, as inflation has driven up costs far in excess of this increase, the bottom lines for many home-based care agencies could compress further, thus exacerbating staffing challenges while fueling the need for consolidation to compete at scale.

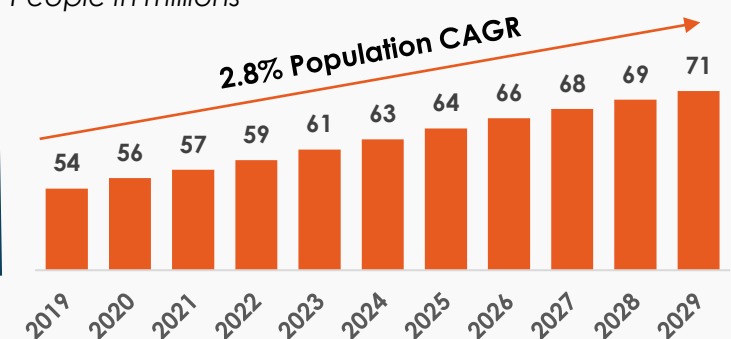
Home Healthcare Revenue 2019 - 2029

\$'s in billions



Adult Population Aged 65 or Older

People in millions



Fireside Chat with Angelo Spinola of Polsinelli (Introduction)



Angelo Spinola
Shareholder/Practice Chair Home
Health, Home Care, and Hospice



Melvyn Peters
Director,
Healthcare Services



The DAK Group's Melvyn Peters, talks with Angelo Spinola, Polsinelli Law Firm's Practice Chair in Home Health, Home Care, and Hospice, about his start, the biggest pitfalls first-time sellers make, and key trends in the highly active home-care marketplace.

Melvyn: Angelo, thanks for joining me today as part of our 2022 year in review. With your two decades of experience in the industry, ***I'd love to know how you got started.***

Angelo: Thank you for having me. Believe it or not, before I became a lawyer, I was a live-in caregiver back in the days of flat day rates. I think I was making about \$150 a weekend, working in a group home with autistic men. I learned that as much as I loved the industry, I wasn't the best caregiver, but that I still wanted to contribute.

I went to law school and got really involved in the industry around the time that live-in and companionship exemptions changed. When the DOL changed the rules and suddenly personal care attendants were entitled to overtime, I litigated a case over several years, working with the national associations and a lot of the providers. From there I started to litigate some of the big class action cases in the home health space around clinician exemptions and gradually got into transactions. About 95% of my practice is in home-based care.

Melvyn: I think it's unique to have folks that start off as caregivers or operators to end up in the legal space. Typically, people start off as caregivers and then start an agency or join a franchise. ***Talk a little bit about your practice?***

Angelo: I am an employment lawyer and I represent providers on any issue around their employees, whether that's compliance based or

litigation. Originally, I worked with the DOL, responding to audits, class cases, IRS audits, things like that. And then I really pivoted. I found that the same issues came up repeatedly, and that providers would fix their compliance programs, spending a lot of money in the process. This didn't work and a more holistic approach was needed to nip issues in the bud.

Now, I say: let's look at your organization, let's identify the things that we know from our experience could trip you up, and resolve that on the front end. That's led to a lot of diligence work on the transactions side – being able to quickly dissect the business and understand it and the issues they have thanks to our industry experience.

Melvyn: Great overview. On the topic of deals, ***what types of deals do you typically work on?***

Angelo: I work on a lot of home-based care deals. A few years ago, I transitioned to Polsinelli to be part of a full-service platform. Before, my old firm was only doing compliance or regulatory work and had to refer out M&A work, but oftentimes we were sourcing deals, introducing buyer to seller. Our split of deals at Polsinelli is ~75% buy-side and 25% sell-side, and that's companies from \$1-10 million in revenue to the fortune 500. We're great at handling small, repetitive deals that are really common in the industry right now, creating a playbook for strategic and financial buyers alike, and have the depth to support larger transactions.

Fireside Chat with Angelo Spinola (First-Time Seller Pitfalls)

Melvyn: Having the ability to bundle everything together in a cost effective and efficient manner for groups doing tens of acquisitions a year really speaks to the pace of consolidation in the marketplace. You mentioned the \$1 - \$10 million agencies or perhaps those who could be selling for the first time. **What are some of the biggest pitfalls you see with first time sellers?**

Angelo: Sometimes businesses don't understand that there's no business that's too small for the right kind of buyer. They think they must be a certain threshold - that might be true for private equity but that's not always true for strategics, so **number one is not starting the process soon enough.** When we have a new client, we'll ask them: what is your long-term goal? What do you want to accomplish? And a lot of times you hear "well, we want to sell in three to five years". We help them kick the tires on the business, start looking at where there is risk, where it could be flagged, and correcting those issues while there is still runway before due diligence happens.

The second pitfall is not evaluating all your options. No two buyers are alike and deal making is like dating. Yeah, your soul mate's out there, but you're going to have to date some people to find them. Evaluating options helps because some businesses have a unique interest in your business whereas others don't. Some will say that's a run-of-the-mill business, while others will say you're in a market we really want to be in, and even though your business is ex-revenue today, we see great growth potential in tacking on your services to what we're doing or feeding your line of service through our line of service from home health down to personal care and beyond. A good example of that is New York. Some buyers stay completely out of New York, and some are dying to get in, which is very difficult because New York has a real limitation on the number of licenses you can have.

Finally, don't get distracted. A transaction is exciting, especially for a first-time seller. It's a life event, something that they've been building toward and now it's finally happening. However, the process can be long, and there is waiting involved during due diligence. This is where mistakes can happen from an operational

perspective, and then, when the deal doesn't happen, owners are left picking up pieces.

Melvyn: It's impossible to underscore how important starting early is. I always think of the adages "begin with the end in mind" or "forewarned is forearmed", because by getting in front of the issues that can trick up sellers during due diligence, you can increase the likelihood of success in a process. There is no business that's going to go to market for sale or investment that's perfectly primed for sale, nor is the market ever perfect. But it is important to have a strategy in place to get around the issues that will come up.

Another pitfall I think sellers sometimes make is they don't think consider the breadth of the market. Obviously, there are certain geographies where, depending on your payor base or the rate environment, it can be a really tough market that certain buyers will stay out of, but there's also opportunities to have a diverse set of buyers where you might have an outlier outcome. It's difficult to say what valuation is because valuation isn't just a multiple of EBITDA or some type of cash flow-based valuation, it's what the business is worth to the buyer. There might be some reimbursement rate synergies or maybe they unlock that last geography in terms of having full coverage - these things can move valuations upwards.

Angelo: It's not always about multiples - well said. We were working with a business in the Northeast recently and the best offer was not the best buyer. Financially, it was the best offer, but the state the agency was in is a difficult place to operate a home care business and this investor didn't appreciate that. Luckily, the seller was savvy enough to recognize it. For the longevity of her business, she didn't want to be in a position where somebody was learning on her dime, and she had a real interest in what her legacy was and in knowing that the business will be around after her, and she didn't want the business getting slashed and burned, even though it might have been a higher payout for her.

Fireside Chat with Angelo Spinola (Diligence & Regulatory Trends)

Melvyn: You're right Angelo. Those are significant factors, the intangibles. It's a good closing thought here on the topic of pitfalls as sellers need to be equally focused on the intrinsic part of the sale as much as the financial piece – especially since they often work together with buyer's post-transaction.

Changing gears to due diligence, we've seen buyers become more risk averse compared to last year. For example, buyers are more concerned about issues such as 1099 to W2 conversion, understanding run rate reimbursement rates and cost structure, and about margin erosion with the uneven operating environment the past few years. Compared to last year, or 2021, buyers are more cautious.

What other trends are you seeing in the current marketplace from a regulatory and diligence perspective?

Angelo: We saw the same thing last year. Sellers had more agency over time to close, terms, and valuation parameters. Now from a buyer's perspective, there is an increased focus on diligence and they're slowing down. They're not having to cut corners to be a preferred buyer in a process. One big focus of buyers is gaining a better awareness in a transaction, because some groups really got burned.

The impact of successor liability to a buyer's organization, particularly when it's an asset deal, is a big topic right now. There's this view sometimes, that well, it's an asset deal, we don't have to worry about a lot of these things and that's not true of several areas, including employment and pay practices. If you think about it, what is a home care business? It's the caregivers. Without the caregivers you don't have anything and that's your asset, so if there are pay practice issues they have priority, regardless of whether the suit is against the seller or the buyer. And you own that. You own that successor liability as a buyer regardless of the transaction type. A lot of companies didn't previously appreciate that, but the sophisticated buyer does.

Another factor is the impact of stimulus monies. Whether that be the EIDL or the PPP program,

which is huge one in our space. Did you qualify? How did you use that money? Our government is investigating those kinds of issues, and we just saw the statute of limitations on EIDL and PPP Loans move to ten years for an investigation, and already we're seeing the headlines of people tapped for the misuse. That's going to continue, and buyers are looking at the following: what do you have in place that demonstrates that you were qualified to take this money, did you use it appropriately, and is there a paper trail to trace back the funds? You deal with these things now and you're less likely to have a compliance issue where we've got the government investigating the industry.

The other side of this is the following: did these funds artificially prop up the business during the pandemic? What was the profile of the business before and after COVID because in some respects things have changed significantly and sometimes that's for the better and sometimes that's for the worse. If there has been a major shift, an operator should dig into the business to understand what's driving performance.

Where is the market going in terms of reimbursement rates? What's happening with Medicare Advantage? What's happening with Medicaid waiver rates? What do we anticipate is going to happen from an industry perspective in this jurisdiction, how would that impact the business, and what is the impact on the actual transaction? With the fluctuations in rates across different streams of care, and the challenges with Medicaid and Medicare, due diligence is digging deeper into the reimbursement side of things. This can have negative effects on value if major differences in performance are found on a proforma basis versus current performance.

How is staffing – can a seller manage a business with minimal unwanted turnover? Turnover rate is important alongside culture. Is there a way to maintain that culture or are you going to have caregivers, the primary asset in one of these transactions, leave? We've seen buyers get creative in some instances, especially now, with the changed balance of power between agencies and caregivers.

Fireside Chat with Angelo Spinola (Staffing)

Melvyn: One trend we're seeing is the increased risk aversion of buyers. That's partially coming from the financing market, but also concerns over the general economy, although I think we both could agree the long-term trends for healthcare services are quite strong and that more structure is needed to get some deals done with the likes of tiered payments or earnouts.

There was a shortage of ~ 500,000 nurses before the pandemic and that number was well over a million at the height of COVID. How are some of your clients managing the headwinds here? I know from our experience when buyers are looking at fill rates, they're looking at turnover and the longevity of caregivers, the ability to staff authorized hours, and the potential to do it at higher and higher levels, which is a big part of increasing margin and scale. **What are some of the best practices for your clients when it comes to staffing?**

Angelo: This is a problem we're going to be dealing with for a long time to come. I've got a presentation coming up where we talk about these statistics and the fact that you're not going to get these caregivers in the United States when you look at the aging population versus who's entering the job market even if we increased the percentage of working age adults entering the workforce and joining the home-care industry.

This is a challenging job for a caregiver and in the personal care space, it's not particularly high wage, and it takes a special kind of person to do it. Add barriers to entry like waiting on the state to register and keeping up with your training requirements, and it's a tough value proposition – especially when you can pick up a job at Walmart at the same rate of pay.

Total rewards & culture-focused staffing strategies are the ones with the most success. Caregivers often will say, look, I don't really feel like I'm a part of this organization. I don't see anybody, I don't see my supervisor, it's me and the client. That's where the relationship is. I'm not very invested in this business. I can take it or leave it.

To that end, Companies need to make themselves the most attractive option to caregivers, but how do they do that? They can reach out to caregivers; give them the type of training they're looking for. They can provide opportunities for advancement and access to technology platforms that help to reduce the burden of scheduling and administration. They can provide scaled incentives, where caregivers get bonuses that scale up as a percentage of total compensation over time. This could be a 2% bonus as a % of full-time compensation in year one at a company, 3% in year company, 5% in year three, etc.

Leveraging the "right" fringe benefits can be a key differentiator to show that you "care". A provider in the Midwest we looked at during a diligence process was truly unique. He was the seller, and his retention rate was through the roof with no turnover. He had these neat massage days where he picked up some of the Company's caregivers and sent them off for a spa day. He was really invested in his workforce and to him, this was not only a fringe benefit, but it was also a demonstration and message to his caregivers that said: we're all a part of this, I care about you, and you matter. You're not a cog in a machine, which is ultimately what it's about, right? Wages are one thing, but the feeling of belonging in an organization is another.

Immigration reform is a longer-term solution, and it's a little beyond the scope of what we're talking about here today but creating a visa specifically for caregivers like we see in Canada and some other countries could significantly help to reduce the shortage. We're going to ultimately see that we need to find something like that because the population in the United States is aging so rapidly and the workforce is not there to support incoming demand.

Fireside Chat with Angelo Spinola (Staffing & Closing Remarks)

Melvyn: One of the comments you made was that a lot of caregivers only interact with patients. Agencies need to work to make people feel more involved and be inclusive, especially when they don't see their peers on a regular basis. That's not just in home-based care, but throughout a lot of the industries in the US. Remote-only or hybrid environments can be more efficient or are mission critical as they are in home-care, but they can also lead to feelings of isolation for caregivers. That anecdote, about the day spa, resonates from the perspective of giving caregivers time to decompress with their peers in a new setting.

That said, this has been a great discussion. I really enjoyed having you on and look forward to seeing what you and your team do in 2023. **Any closing remarks?**

Angelo: I think there is a spirit of the day amongst some sellers. I've gotten calls recently where business owners feel exhausted. They see regulatory challenges and they're feeling stressed. And I really worry sometimes about these folks, because if you want to sell your business, that's great. If you want to recap, that's fine too. But I also want to encourage folks that this is the industry to be in. McKinsey just released a study where they estimate \$265 billion worth of healthcare will move from facilities to home-based care by 2025. We're not talking about a decade; this is in a few years. Private equity is involved in our space for a reason, right?

I would encourage folks to look and think long-term at all the opportunities on the horizon. I love this industry and I feel very honored to be a part of it. I'm glad to be able to serve it and I want to give those words of encouragement to our owners out there.



For more information on Polsinelli Law, please visit <https://www.polsinelli.com/> or watch the full interview here: [2022 Home Health & Home Care Year in Review Fireside Chat with Angelo Spinola](#)



Angelo Spinola
Shareholder/Practice
Chair Home Health,
Home Care, and
Hospice

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Note: This Fireside Chat has been edited from its original format.

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	○	○
2023 CMS Ruling	○	○
Exposure to Medicare / Medicaid	●	●
Emergence of Alternative Payment Systems	○	○
Availability of Labor and Staffing	●	○
Aggregate Scoring	○	○

6 Key 2023 M&A Trends in Home Health & Home Care

2023 is shaping up to be another strong year of home-based care mergers and acquisitions, with strategic and financial buyers alike keen to grow via acquisition to enter new markets, expand service lines, and gain incremental scale.

1 Key Demographic Trends

More seamless continuums of care, movement towards home-based care environments, and positive macro datapoints (e.g., aging population, agency shortages, etc.) support the investment rationale of existing market participants and new investors.

2 Cost Pressure Catalysts

High inflation has increased the cost of doing business. Gaining scale helps to defray operating costs and rising wages resulting from staffing shortages, which is the only way for some agencies and providers to increase profitability.

3 Pricing and Reimbursement Pressure

Reimbursement rates are everchanging and for smaller to mid-size providers, often difficult to negotiate. M&A can act as a means to diversify a Company's payor base and improve pricing, particularly as the disparity between reimbursement rates increases (e.g., private pay vs Medicaid or Medicare / MCA).

4 Rising Debt Costs

Rate increases from the FED have increased the cost of borrowing, driving credit spreads for lenders and increasing the cost of capital for acquirers. More expensive debt means higher risk and lower returns, which often results in lower valuations and more structured transactions.

5 Average Investment Size

As the market uncertainty shifts, so does the risk profile of acquirers, which are less likely to make large bets outside of their core competencies or in adjacent service areas. While this may decrease the value of transactions, volume typically increases, which is unsurprising given the average enterprise value of care agencies is under \$25MM.

6 Vertical and Payor Specific Factors

2022 saw the home health and behavioral health care verticals drive the most transactions across healthcare services, while investment into Medicaid focused providers was at a low, tied to buyer concerns over state financing and regulatory pressures. These trends will probably continue into 2023.

Top M&A Deals of 2022



October 2022: BAYADA Home Health Care, a provider of nursing, rehabilitative, hospice, and other home health care services, opened **The Bayada Pennsauken Center for Applied Behavioral Analysis (ABA) Services**. The facility will offer behavioral support and treatment for individuals with an autism spectrum disorder and intellectual disabilities.

The Bayada Pennsauken Center for Applied Behavior Analysis (ABA) Services

The move to open an applied behavioral analysis center in New Jersey is a step to expanding its behavioral health services suite and **is indicative of the crossover of home care companies moving into behavioral health**, where they can offer paraprofessional services to the behavioral health population driven by the changing continuum of care.



October 2022: St. Croix Hospice, a Minnesota-based provider of hospice programs and related services backed by **H.I.G. Capital**, acquired **Adaptive Hospice**, an Indian-based provider of hospice services.



This acquisition demonstrates the **aggressive roll-up strategy amongst sponsor-backed groups**, as this transaction expanded St. Croix's national reach into 10 states as they look to continue their fast-paced inorganic growth strategy. According to the CFO of St. Croix Hospice, they will look to continue to expand their upper Midwest presence as they feel the region is a key anchor for their continued growth.



October 2022: After 10 acquisitions in 2021, **Choice Health at Home**, a Texas-based multi-state provider of home health, hospice, private duty, and rehabilitation services, acquired **Instant Care of Arizona**, a provider of non-medical home care services.



Choice's acquisition is illustrative of the continuous consolidation in healthcare services, with a **hospice-focused provider expanding into private duty care**. Oliver Fultz, Regional VP of Operations at Choice said "We see this service (personal care) as very supportive of home health and hospice. To that end we are expanding private duty within the state of Texas."



September 2022: CVS Health acquired **Signify Health**, a value-based, tech-enabled home care provider. At \$8 billion, this acquisition was the largest home-based care deal of 2022, eclipsing UnitedHealth Group's \$6 billion purchase of LHC Group (both transactions pending).



The acquisition achieves multiple strategic objectives for CVS and is indicative of **the digitization of home care and the crossover of behavioral health into home-based care**, especially when considering Signify's value proposition. According to CVS' CEO, Karen Lynch, the deal will, "enhance our connection to consumers in the home and enable providers to better address patient needs," as well as, "expand and develop new product offerings in a multi-payer approach."



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 health care services throughout Florida.



The transaction fulfilled multiple strategic goals for Sonas Home Health Care and represents the desire of providers to pursue **geographic expansion and reimbursement rate diversification opportunities** via acquisition. With this acquisition, Sonas was able to grow its Florida patient census, yield reimbursement rate synergies, and grow state market share.

Deals to Know from Q4 2022



Care Advantage, Inc.
A FAMILY OF CARE AND COMPASSION

Acquirer



CARE PERFECTIONS
HEALTH SERVICES LLC

Target

December 2022: Care Advantage, a provider of home healthcare services based in Richmond, Virginia backed by **Searchlight Capital Partners**, acquired **Care Perfections Health Services**, a provider of in-home care services offering personal companionship, personal and non-medical services. Through this acquisition, Care Advantage was able to expand geographically into northern Virginia.



THE CareTEAM
Home Health & Hospice

Acquirer



1st Care
Home Health Services
Bringing Home The Best Continuation of Care

Target

December 2022: The Care Team, a provider of home health and hospice services backed by **Revelstoke Capital Partners**, acquired **1st Care Home Health Services**, a provider of home-based healthcare services intended for the elderly and disabled. With this transaction, The Care Team was able to further expand its presence into Indiana.

Purpose
CARE

Acquirer



Newsome
Home Health Care

Target

November 2022: PurposeCare, a provider of home healthcare services for patients and elderly individuals backed by **Lorient Capital**, acquired **Newsome Home Healthcare**, a provider of home healthcare services intended for medically complex patients. With this acquisition, PurposeCare continued its strategy of expanding into the Midwest via organic growth as well as acquisitions.

PENNANT
GROUP

Acquirer



Target

November 2022: Pennant Group, a healthcare services provider home health, hospice, and assisted living services, acquired **Kenosha Visiting Nurse Association**, an operator of a health care agency providing quality in-home care services. Through this transaction, Pennant Group further extended its service offerings and home health operations into the southern Wisconsin areas.

enhabit
Home Health & Hospice

Acquirer

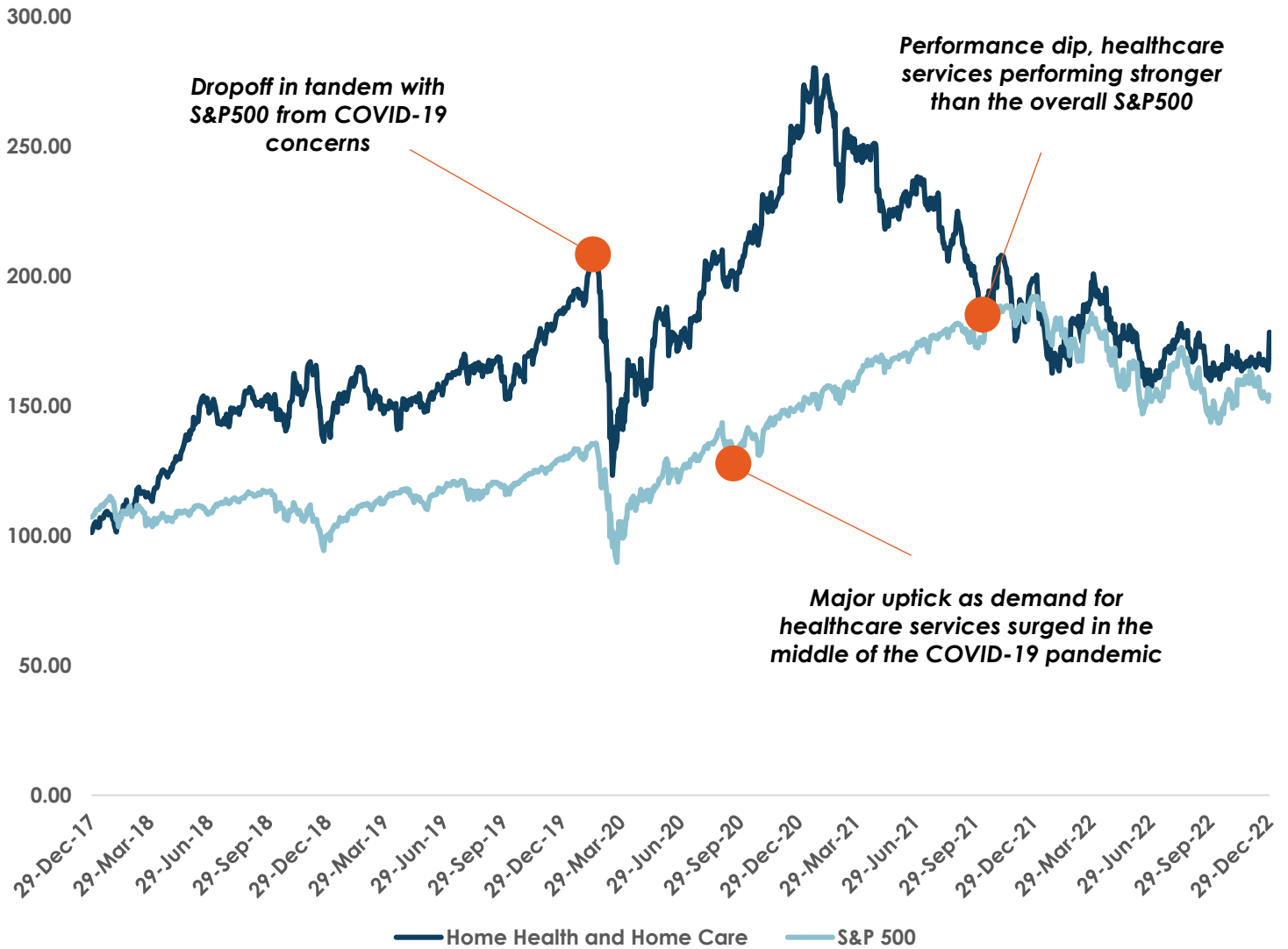


Target

October 2022: Enhabit Home Health, a provider of home health and hospice services including skilled nursing, physical, occupational, therapy, and other services, acquired **Caring Angels Hospice**, an operator of a hospice agency catering to patients facing advanced or life limiting illnesses. Through this acquisition, Enhabit Home Health further expands its geographic footprint in the Texas market.

Public Company Performance & Key Competitors

Home Health and Home Care Public Company Stock Performance – Last 5 Years



Public Company Competitive Landscape



Healthcare Services: 2022 Year in Review

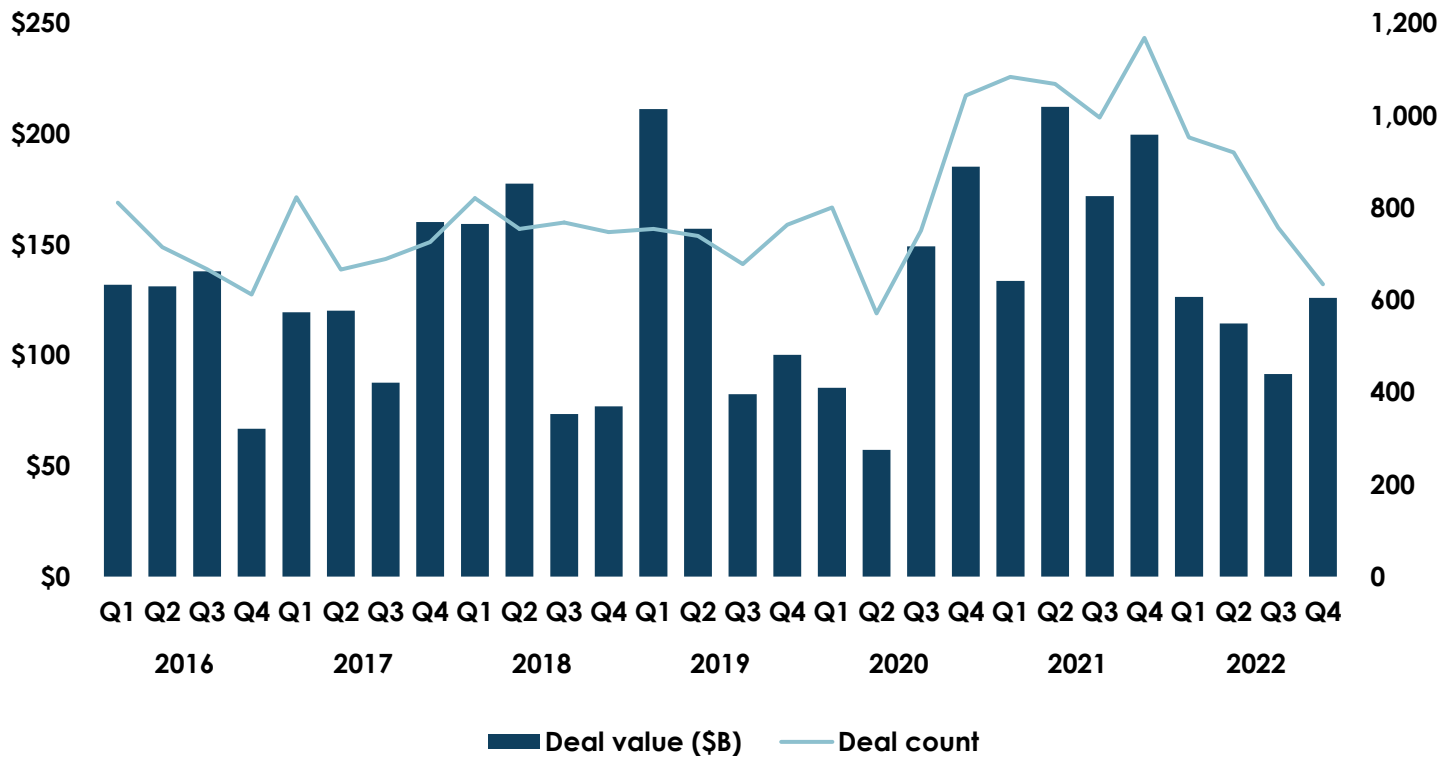
Sector Spotlight: Home Health & Home Care

Valuation Pointers

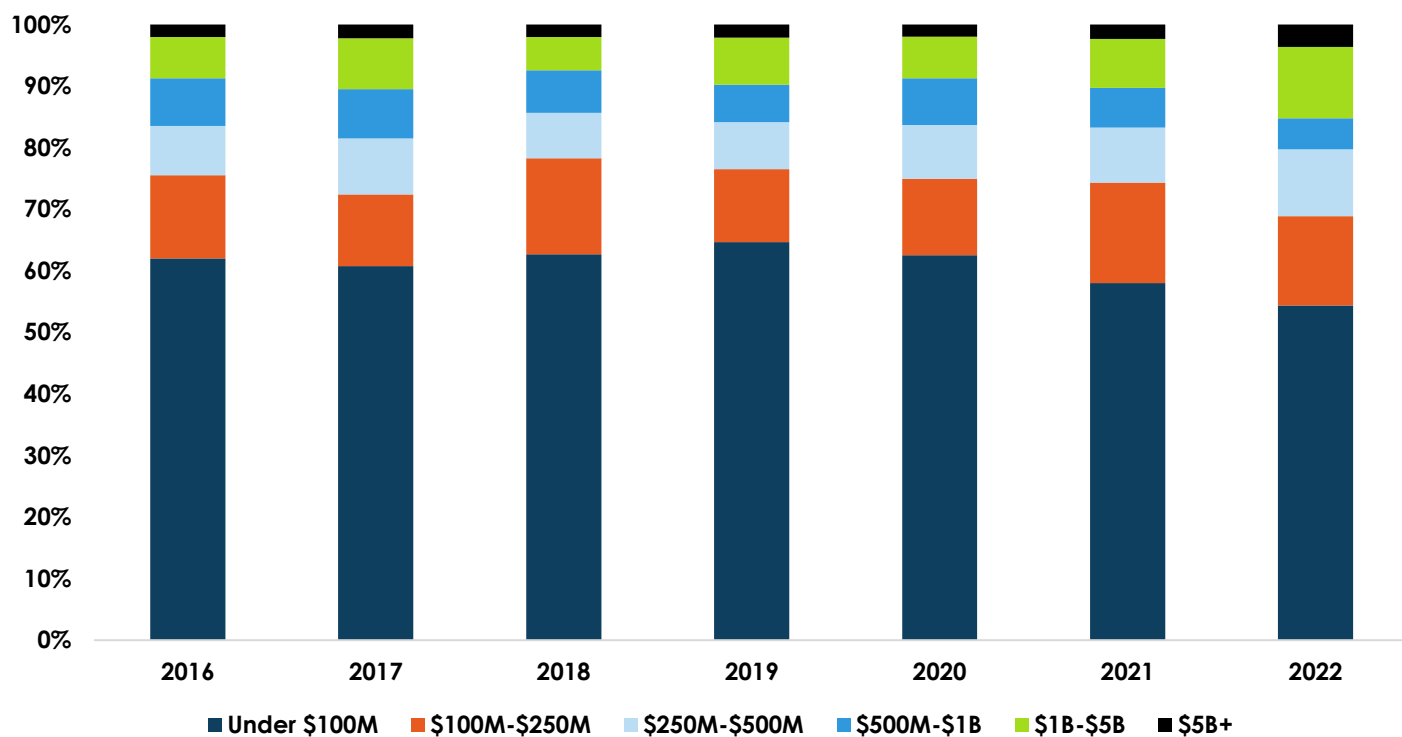


Healthcare M&A: Aggregate Activity

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

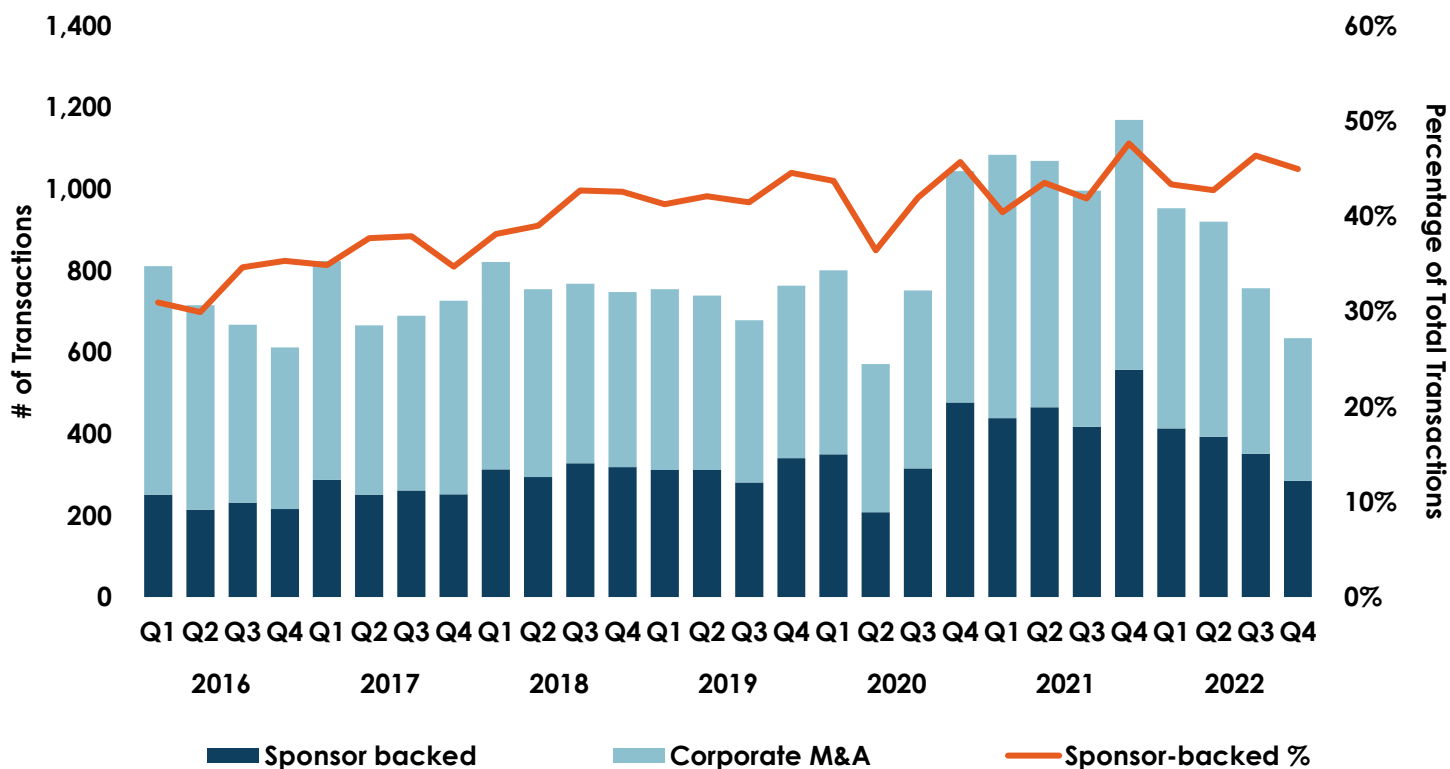


U.S. Healthcare M&A Activity by Size (2016 – 2022)

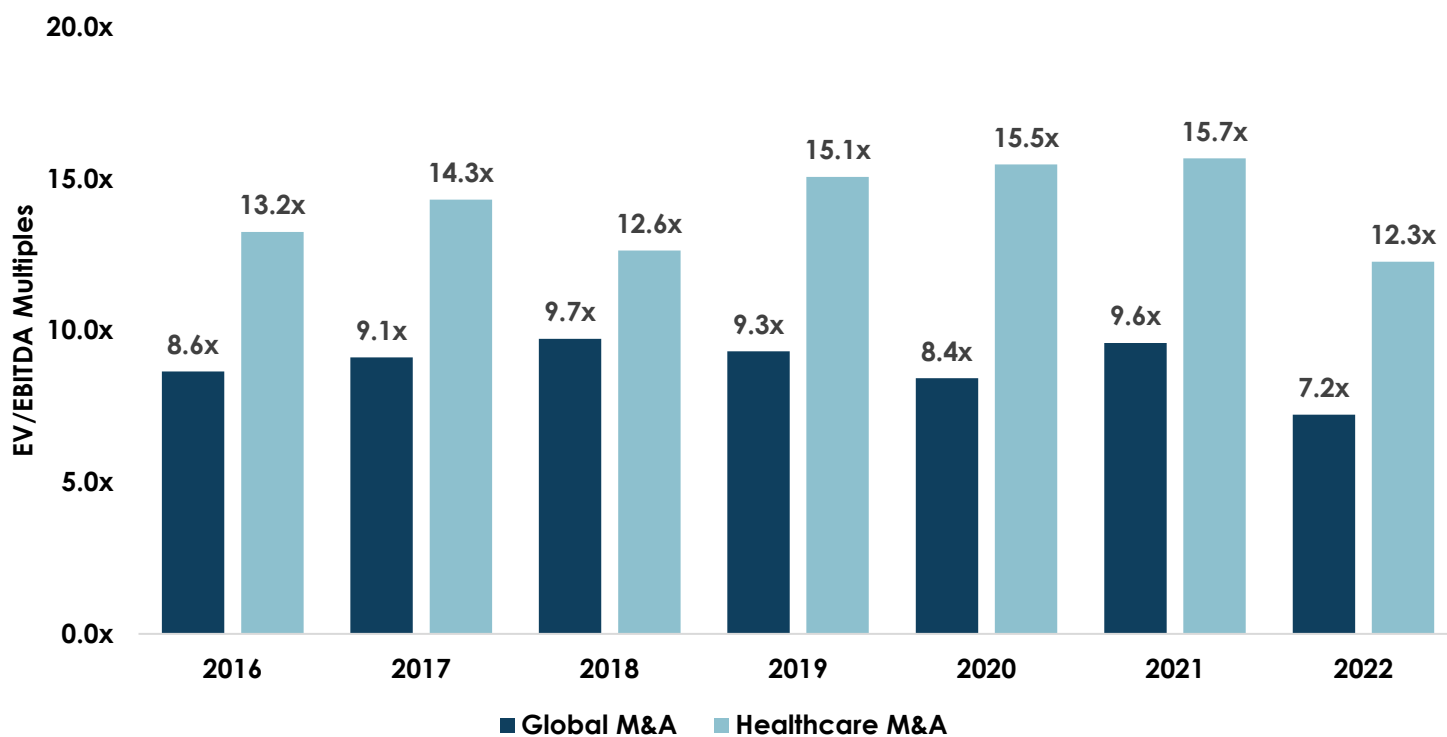


Healthcare M&A: Acquirer Activity and Multiples

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



Healthcare M&A Transaction Multiples (2016 – 2022)



Home Health & Home Care Precedent Transactions Analysis

US\$ in millions				Enterprise		EBITDA	EBITDA	EV as Multiple of	
Date	Target	Target Description	Acquirer	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
12-Oct-22	Discovery Senior Living	Operator of senior living communities intended to meet the residents' needs in the United States.	Lee Equity Partners	\$455.0	\$500.0	N/A	N/A	0.9x	N/A
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	\$3,400.0	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
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
01-Sep-21	Heart of Hospice	Provider of hospice and related palliative care services regions across Arkansas, Louisiana, Mississippi, Oklahoma, and South Carolina.	LHC Group	\$278.0	\$92.5	N/A	N/A	3.0x	N/A
Average				\$891.3	\$372.1	\$167.1	15.5%	\$1.6	\$7.9
Median				\$344.8	\$114.8	\$216.4	18.9%	\$1.3	\$71
Low				\$7.0	\$7.8	\$1.5	8.3%	\$0.9	\$4.7
High				\$3,400.0	\$1,145.3	\$283.3	19.1%	\$3.0	\$12.0

Key Acquirers

Strategic



Sponsor-Backed



Financial Sponsors



Recent Home Health & Home Care Transactions: Q4 2022 (1/2)

Precedent Transaction Analysis

12/31/2022

Date	Target	Target Description	Acquirer	Enterprise Value	Revenue	EBITDA	EBITDA Margin	EV as Multiple of	
								Revenue	EBITDA
19-Dec-22	Care Perfections Health Services	Provider of in-home care services committed to serving patients, clients and their families with compassionate and client-serviced-based care.	Care Advantage	N/A	N/A	N/A	N/A	N/A	N/A
14-Dec-22	Lighthouse Healthcare	Provider of home care services based in Reston, Virginia.	Care Advantage	N/A	N/A	N/A	N/A	N/A	N/A
14-Dec-22	1st Care Home Health Services	Provider of home-based healthcare service intended for the elderly and disabled.	The Care Team	N/A	N/A	N/A	N/A	N/A	N/A
12-Dec-22	Geriatric Specialty Care	Provider of elder and disabled care services intended to provide their services in US.	Pine Park Health	N/A	N/A	N/A	N/A	N/A	N/A
01-Dec-22	Brighton Care Center	Provider of nursing facilities services located in Brighton, Colorado.	The Ensign Group	N/A	N/A	N/A	N/A	N/A	N/A
30-Nov-22	Green House Cottages of Carmel	Operator of a nursing facility intended to provide a real home atmosphere.	Euson Lindsay Health	N/A	N/A	N/A	N/A	N/A	N/A
17-Nov-22	Newsome Home Health Care	Provider of healthcare services intended to provide cost effective, family focused care for the medically complex patient.	PurposeCare	N/A	N/A	N/A	N/A	N/A	N/A
17-Nov-22	Honor Home Health	Provider of home health services intended for assisted living facilities post-surgery, accident and injury.	PurposeCare	N/A	N/A	N/A	N/A	N/A	N/A
14-Oct-22	A-1 Health Care	Provider of home healthcare services intended for professional nursing care.	PurposeCare	N/A	N/A	N/A	N/A	N/A	N/A
17-Nov-22	Alliance Home Health Care (Indiana)	Provider of home health care services intended for elderly and senior adults.	PurposeCare	N/A	N/A	N/A	N/A	N/A	N/A
16-Nov-22	Inteli-Care	Provider of in-home personal care services intended for elderly and disabled people.	24 Hour Home Care	N/A	N/A	N/A	N/A	N/A	N/A
09-Nov-22	QCN Home Healthcare	Operator of a home care company intended to provide skilled nursing, physical therapy and caregiving services.	AmeriCare Medical	N/A	N/A	N/A	N/A	N/A	N/A
03-Nov-22	Florida First Senior Home Care	Provider of intermediary services intended to connect the caregivers with the families through the licensed nurse registry referral system.	Boca Home Care	N/A	N/A	N/A	N/A	N/A	N/A
03-Nov-22	Preferred Home Health Providers	Provider of home healthcare services based in Eustis, Florida.	Alana HealthCare	N/A	N/A	N/A	N/A	N/A	N/A

Recent Home Health & Home Care Transactions: Q4 2022 (2/2)

Precedent Transaction Analysis

12/31/2022

Date	Target	Target Description	Acquirer	Enterprise Value	Revenue	EBITDA	EBITDA Margin	EV as Multiple of	
								Revenue	EBITDA
02-Nov-22	Companions and Homemakers (Medicaid Division)	Provider of home care and certified home health, throughout Connecticut.	AccordCare	N/A	N/A	N/A	N/A	N/A	N/A
02-Nov-22	Livio Health	Provider of mobile-based urgent care and on-site primary care services intended to serve non-traditional health care sites.	Lifespark	N/A	N/A	N/A	N/A	N/A	N/A
01-Nov-22	Cadence Senior Living	Developer and of independent living assisted living and memory care services for the elderly.	Cogir Senior Living	N/A	N/A	N/A	N/A	N/A	N/A
01-Nov-22	Kenosha Visiting Nurse Association	Operator of health care agency intended to provide quality home health care to patients regardless of illness or income.	Pennant Group	N/A	N/A	N/A	N/A	N/A	N/A
27-Oct-22	Mid-Valley Health Services	Provider of alternative to extended home health care services based in Ceres, California.	AvevoRx	N/A	N/A	N/A	N/A	N/A	N/A
17-Oct-22	Vrable Healthcare Companies	Operator of nursing and rehab centers intended to provide healthcare services.	Optalis Healthcare	N/A	N/A	N/A	N/A	N/A	N/A
14-Oct-22	On Angel's Wings	Operator of an organization committed to serving individuals with special needs.	Webster Equity Partners	N/A	N/A	N/A	N/A	N/A	N/A
12-Oct-22	Discovery Senior Living	Operator of senior living communities intended to meet the residents' needs in the United States.	Lee Equity Partners	\$455.0	\$500.0	N/A	N/A	0.9x	N/A
10-Oct-22	Helping Hand Adult Day Care	Provider of adult day care services intended for seniors to socialize and receive nursing support.	Active Day (Pennsylvania)	N/A	N/A	N/A	N/A	N/A	N/A
05-Oct-22	Adaptive Hospice	Provider of medical care services intended for individuals and their families.	St. Croix Hospice	N/A	N/A	N/A	N/A	N/A	N/A
04-Oct-22	Trio Home Health Care	Provider of home health and hospice care services intended to meet the comprehensive needs of the patient in the comfort of their own home, without regard to race, sex, religion and age.	Jet Health	N/A	N/A	N/A	N/A	N/A	N/A
03-Oct-22	Caring Hearts Hospice	Operator of hospice agency catering to patients facing advanced or life-limiting illnesses.	Enhabit Home Health	N/A	N/A	N/A	N/A	N/A	N/A
01-Oct-22	AgeWell New York (Medicaid Managed Long Term Care Business)	Provider of managed long-term care services intended for chronically ill and disabled people.	Molina Healthcare	\$110.0	N/A	N/A	N/A	N/A	N/A
01-Oct-22	Apple Home Healthcare	Provider of home health services catering to acute illnesses and procedures patients.	Addus HomeCare	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 December 31, 2022

(US\$ in millions, except per share data)

Home Health, Home Care, and Hospice

Company	Ticker	Share Price	FD Market Cap	Enterprise Value	EV / Revenue		EV / EBITDA	
					LTM	2023E	LTM	2023E
Encompass Health	NYS: EHC	\$59.81	\$6,036	\$9,458	1.8x	2.0x	8.6x	10.6x
Chemed	NYS: CHE	\$510.43	\$7,745	\$7,983	3.7x	3.6x	17.6x	17.1x
Option Care Health	NAS: OPCH	\$30.09	\$5,482	\$6,382	1.7x	1.5x	20.0x	17.0x
LHC Group	NAS: LHCG	\$161.69	\$5,103	\$6,045	2.6x	2.5x	20.8x	23.2x
Amedisys	NAS: AMED	\$83.54	\$2,745	\$3,343	1.5x	1.4x	10.6x	12.8x
ModivCare	NAS: MODV	\$89.73	\$1,282	\$2,229	0.9x	0.9x	7.8x	9.6x
Addus HomeCare	NAS: ADUS	\$99.49	\$1,647	\$1,753	1.9x	1.7x	17.5x	15.8x
Aveanna Healthcare	NAS: AVAH	\$0.78	\$145	\$1,430	0.8x	0.8x	21.8x	10.2x
Enhabit Home Health	NYS: EHAB	\$13.16	\$653	\$1,253	1.2x	NM	7.8x	NM
Pennant Group	NAS: PNTG	\$10.98	\$342	\$664	1.4x	1.3x	24.5x	16.5x

Median	1.6x	1.5x	17.6x	15.8x
Average	1.8x	1.7x	15.7x	14.8x

25th Percentile	1.5x	1.3x	9.1x	10.6x
75th Percentile	1.5x	2.0x	20.6x	17.0x

PDN, Assisted Living, and Therapy Services

Company	Ticker	Share Price	FD Market Cap	Enterprise Value	EV / Revenue		EV / EBITDA	
					LTM	2023E	LTM	2023E
The Ensign Group	NAS: ENSG	\$94.61	\$5,295	\$6,451	2.2x	1.9x	17.5x	15.0x
Brookdale Senior Living	NYS: BKD	\$2.73	\$591	\$5,310	2.0x	1.8x	24.3x	19.8x
National Healthcare	ASE: NHC	\$59.50	\$913	\$874	0.8x	NM	9.2x	NM
Genesis HealthCare	PINX: GENN	\$0.01	\$2	\$2	NM	NM	NM	NM

Median	2.0x	1.9x	17.5x	17.4x
Average	1.7x	1.9x	17.0x	17.4x

25th Percentile	2.0x	1.8x	13.3x	16.2x
75th Percentile	1.7x	1.9x	20.9x	18.6x

Key Public Comparables

Home Health, Home Care, and Hospice



PDN, Assisted Living, and Therapy Services



Your Strategic and M&A Partner in Home Health and Home Care

About DAK





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

\$10-300 MM 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

DAK's Healthcare Team



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DAK Group's Healthcare Services Ecosystem



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

- 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

- 1/25 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 EHR Telehealth Data Analytics

Select Market Participants



Key Trends

- 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

- 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.

For More Information Contact...



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The **DAK** Group

Investment Bankers to the Middle Market

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