

HOME-BASED CARE YEAR IN REVIEW

2023 YEAR IN REVIEW



**SECTOR SPOTLIGHT:
HEALTHCARE SERVICES**

Welcome

While dealmaking in home-based care moderated in 2023, the market held steady against a broader decline in mergers and acquisitions (M&A).

As the North American M&A market fell as much as 40% in some sectors due to inflation, interest rate increases, and more disciplined buyers, Healthcare was a bright spot, with total M&A activity flat year over year.

Though M&A in the home-based care segment fell 12% in 2023 vs 2022, we saw several positive developments – the consolidation of the continuum of care via “Payviders” like United Health, the re-emergence of strategic buyers, and the sale of several larger strategic and PE-backed companies, which signals well to dealmaking in 2024.

This report delves into the key home-based care transactions and trends that made 2023 and will drive 2024. It also includes a Fireside Chat with Angelo Spinola of the law firm Polsinelli, and The DAK Group’s Melvyn Peters, who discuss how changing industry dynamics are driving M&A across home care, home health, and hospice, and what that means for buyers, and sellers in 2024.

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!



Fireside Chat with



“We think that 2024 will rebound from 2023 but maybe not to 2022 levels. Looking at the composition of deals, there will be a higher ratio of smaller, targeted transactions, and higher volume.”

We’ve always been a very fractured industry with thousands and thousands of providers, and I think we’re going to continue to see consolidation in what will never be a consolidated industry but will become an industry of bigger players.”

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Angelo Spinola
Shareholder / Practice Chair
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Be sure to read the Fireside Chat with Polsinelli’s Home-Care Practice Leader on Pg. 9

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Home-Based Care

Sector Spotlight: Healthcare Services | 2023 Year in Review

The North American M&A market fell as much as 40% in some sectors due to inflation, interest rate increases, and more disciplined buyers. However, Healthcare was a bright spot, with total M&A activity flat year over year, and Home-Based Care activity down only 12%.

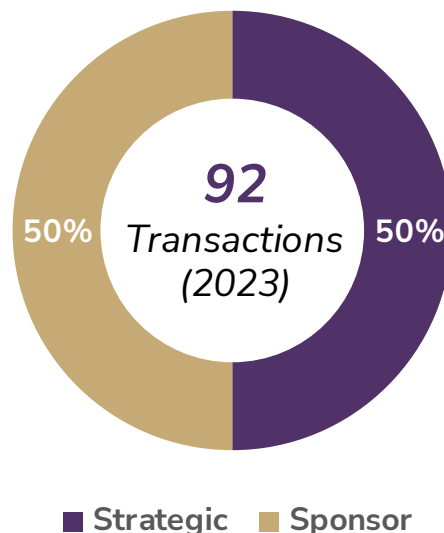
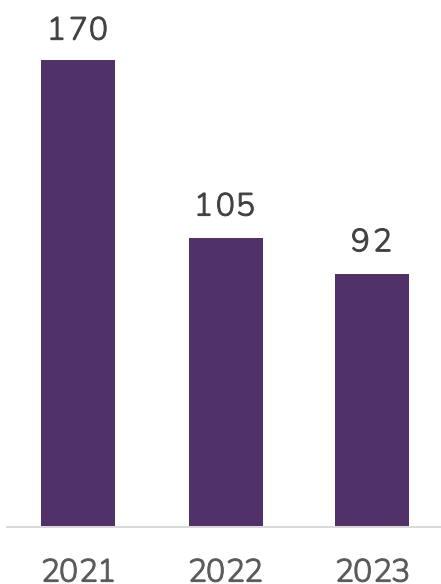
In a change of pace, strategic acquirers transacted on par with private equity. Publicly traded Pennant Group, completed the most deals in 2023 (six) versus private equity, which averaged one or less.

While the velocity of dealmaking may have slowed, buyers are still hungry to deploy capital to achieve strategic objectives. Core investment criteria include growing the core, building geographic and service line density, acquiring across the continuum, and divesting non-core or well-built assets.

Notable Home-Based Care Transactions

 <p>has been acquired by</p> 	 <p>a portfolio company of</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 been acquired by</p> 
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Home-Based Care Transaction Activity

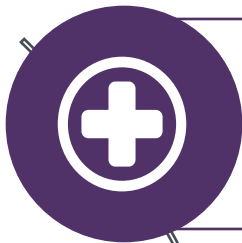


Key Takeaways

- Transaction activity was down 12% YoY
- Home Care and Home Health** transactions each represented ~32% of total transaction activity, or nearly 2/3rds in aggregate
- Integrated or diversified providers** represented the largest value of closed and announced transactions
- Hospice** had the lowest share of deal volume (13%)

Key Home-Based Care Trends

As long-term supply and demand drivers pull in opposite directions, opportunities and risks abound. Best-of-breed providers are positioning themselves by staying sharp on rate and labor dynamics, leveraging technology, and narrowing their strategic focus.



Shifting Care Delivery to the Home

Up to \$265 billion worth of care services 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.



Pediatric / Geriatric Census Growth

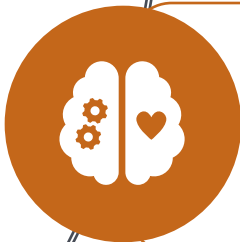
The **pediatric market** is projected to grow to \$58 billion by 2030 at an 8.8% nine-year CAGR. Demand is driven by the growing population of Children with Medical Complexities (CMC) requiring extensive at-home care.

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.



CMS Dynamics

Final CMS rules did not materialize as proposed thanks to a wide effort from providers, caregivers, and industry. Modest reimbursement rate increases were granted for Medicare and Medicaid, while the 80/20 rule, where 80% of revenue would go to caregivers, was scrapped in its current form. However, rate changes could compress financial performance and caregiver wages further, at a time where only 14% of Americans can afford private pay home-based care services.



A Narrowing Focus

Whether it is battling it out to win private pay clients or build scale within government-based reimbursement, deciding between a core medical or non-medical operational strategy, or building density in lieu of expanding scope, many providers are reigning in their strategic priorities to be more singular.

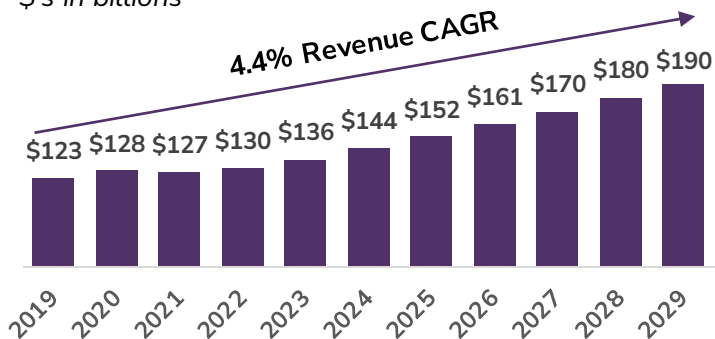


Telehealth and AI

Delivery of healthcare services through digital platforms, such as video calls, mobile apps, or web portals is increasing access to healthcare, especially for rural and underserved populations, reducing costs, and enhancing patient satisfaction. AI is being leverage to further extend care through remote patient monitoring, data and analytics, and marketing solutions.

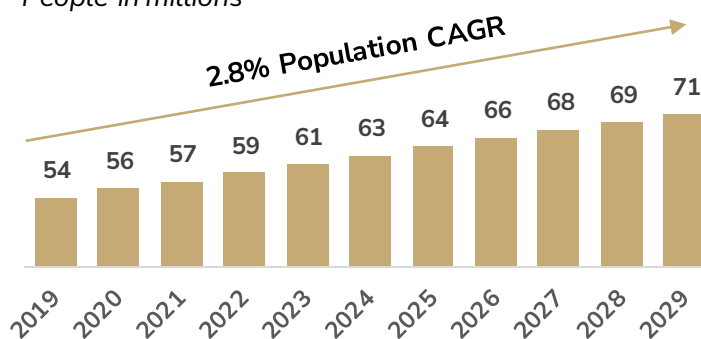
Home Healthcare Revenue 2019 - 2029

\$'s in billions



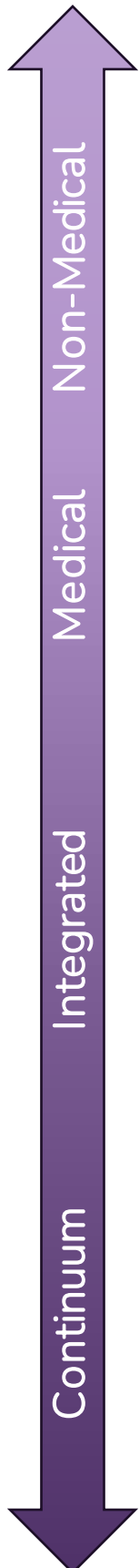
Adult Population Aged 65 or Older

People in millions



Home-Based Care Market Map

Home-based care providers enable healthcare professionals to utilize their expertise and capabilities within the patient's home to improve the quality of care, patient accessibility to care, and business/practice operations.



Regional Home Care	
National Home Care	Franchise Home Care
PDN, Assisted Living, Therapy Services	
Pediatric Home-Based Care	
Regional Home Health & Hospice	
National Home-Based Care	
Palliative, Hospital at Home, Infusion	
Hospitals and Health Systems	Fully Integrated Care & "Payviders"
Behavioral Health (Mental Health)	
Behavioral Health (ABA, IDD)	

Company Performance & Valuation Continuum

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	●	●
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	○	○
Exposure to Medicare / Medicaid	●	●
Impact of CMS Ruling	?	●
Availability of Labor and Staffing	●	○
Aggregate Scoring	●	●

5 Key M&A Trends in Home-Based Care

Macro-economic headwinds have slowed M&A in Home-Based Care, yet there is still appetite for acquisitions that 'just make sense'. Many expect that the slowing M&A trend will be bucked in 2024, potentially driven by decreased interest rates.

1 Positive Outlook for 2024 M&A

According to a survey published by investment bank Jefferies, 68% of senior leaders in the healthcare sector expect the volume of healthcare M&A deals to rise in 2024. In home-based care, there were landmark deals across key sub-sectors, which hint that the M&A market is better than the sentiment. In short, those "going first" are showing the way.

2 Disciplined Buyers

Strategic buyers are more focused on execution rather than pursuing transactions. For the strategics that are making acquisitions, they are more likely to acquire businesses within their core offering rather than ancillary acquisitions. Financial sponsors are also showing discipline by focusing on add-on acquisitions and very high-quality platform investments. Both are taking more time to complete due-diligence and close transactions.

3 Cost of Debt may Moderate

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. However, many experts are forecasting rate cuts by the end of 2024 which may help ease the financing environment.

4 Grow the Core vs Expand Scope

While integrated providers that offer care across the home-based care spectrum and beyond are expanding the scope of their operations, other groups are divesting across the spectrum.

While UnitedHealth acquired LHC in February 2023 and announced its acquisition of Amedisys in the summer, other groups, like ProMedica and Well Care, have divested their medical and non-medical divisions, respectively, to have a more singular operating strategy.

5 Sub-Sector Drivers

Franchises: The large Comfort Keepers acquisition may signal to other providers its time to consider transactions.

Hospital-at-Home: This growing segment has attracted VC investment, strategic partnerships, and joint ventures. While M&A is light now, it will accelerate in the coming years.

Pediatric Home Health: Two major PE exits occurred in the space (one in early 2024), with both companies being acquired by other sponsors.

Deals to Know from 2023

**UNITEDHEALTH
GROUP®**

Acquirer



Target

February 2023: UnitedHealth, a publicly traded provider of health insurance and services company, merged with **LHC Group**, a leading provider of home-based care services for **\$5.4 billion**.

The combination of UH's Optum subsidiary and LHC expands the its value-based home care offerings. It is indicative of the "Payvider" buyer segment and its penchant for mega deals across the care continuum.



Acquirer



TENEX | CAPITAL MANAGEMENT

Target

May 2023: Court Square, a leading middle market private equity firm, acquired **Team Select Home Care**, a provider pediatric-focused home health services from its financial sponsor, **TENEX**.

The acquisition is one of two exits for private equity in the last twelve months within the pediatric segment.

**THE
HALIFAX
GROUP**

Acquirer



Target

September 2023: The Halifax Group, a middle market private equity firm, acquired **Comfort Keepers**, a US and European-focused home care franchise, from **Sodexo**.

As one of the largest providers in the franchise space, the deal is indicative of private equity's interest in franchise home care models.

gentiva

Acquirer



**PROMEDICA
HOSPICE**

Target

November 2023: Gentiva, a hospice, palliative, and personal care company backed by **CD&R**, acquired **ProMedica's** Home Health and Hospice business.

The transaction is indicative of Strategics divesting non-core assets. In this instance, akin to Amedisys' home care division sale earlier in the year, ProMedica is homing in on its core health system strategy.

PENNANT

Acquirer



Target

December 2023: Pennant Health, a publicly traded home-based care and senior living company, **Southwestern Palliative and Hospice Care**, a southwest-based hospice provider.

The deal marked the sixth transaction for the Company across hospice, home health, assisted living, and memory care, and is indicative, in parallel to the Gentiva/Promedica deal, of providers expanding scope.

Fireside Chat with Angelo Spinola of Polsinelli Law Firm



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, Shareholder and Practice Chair of Polsinelli's Home Health, Home Care, and Hospice Practice, about how changing industry dynamics in labor, technology, and reimbursement are driving the M&A market across home care, home health, and hospice, and what that means for buyers, and sellers in 2024.

Melvyn: *What's your take on the reimbursement landscape right now and the proposed 80/20 rule from last year?*

Angelo: I think that the outcome we had, if you even want to call it a win, is temporary, though less painful than everybody was bracing for. I think CMS has been pretty clear with what they're trying to do, which is that when it comes to home health, that home health is making too much money on care and that these rates need to be reduced. And then, they also pat themselves on the back for easier behavioral penalties. Which has been effective – therapy for example, after PDGM, where we've seen reimbursements and episodes shrink.

While it's noble to put more money into the hands of the caregiver, the problem is when you have the government trying to dictate across all these different programs what the caregiver should get and what the ratio should be. **With all the analysis done by NAC, you see that the providers themselves think that the 80/20 model is absolutely unworkable and it will destroy businesses.**

Another piece is Medicare Advantage, and the rates paid there. That's not taken off like supplemental care services. While there are some success stories, by and large that's been a real challenge. The motive is good though. **You want to get more affordable care to the largest patient population under CMS.**

Melvyn: I saw data recently from the Harvard study that only 14% of those that need care can actually get it through private pay, so the vast majority of the population that needs care in the home is unable to get it unless they go through CMS. And you're right, alternatives to the status quo need to come, but some of these alternative payment models that the CMS Center for Innovation has created are not great.

Every time I speak with a provider, they're not really excited about these plans because the only way to do them successfully is at incredible scale. And the reality is, most care agencies that are independent are really not operating at the scale where they can extract the kind of cost savings or of synergies by working with the plan and working with payers. They just don't have the capabilities in house. Luckily, there are some companies, that integrate with home health providers to help the transition to and enable value-based care from a data and analytics standpoint. Practically speaking, that's not an area a lot of agencies get help with.

Fireside Chat with Angelo Spinola of Polsinelli Law Firm

Melvyn: *What are you hearing from the care agencies that you work with in terms of leveraging technology in the home?*

Angelo: There are a lot of new products, the most prominent in our space is remote patient monitoring, typically in situations where you have a patient that is in between being cared for by the family and needs additional care. **You can use these monitoring devices to hear where the patient is, if they fall, if there are any irregularities or signs that suggest additional care is needed, in some cases with 90% accuracy.**

We're seeing agencies partnering with those systems, but they come with some regulatory and privacy concerns. Just like Amazon is in the home with Alexa, what do the laws say about everybody else that comes into your home and is providing care?

We're going to need tools like this as the cost of labor and need for care goes up and that is against a backdrop of losing caregivers to other industries. **We're going to need to find ways to be more efficient and provide care more economically,** because outside of the private pay environment, there's not that many people that can afford personal care out of pocket.

Melvyn: There's certainly a cost component to why this technology makes sense and new solutions are on the rise. We represented a business last year that traded, not in home care, but in the broader healthcare space that provided managed telehealth solutions in an inpatient setting. That company had a sister business, Colette Health, that focuses on remote patient monitoring solutions for hospitals and health systems. Then in home care, you have companies like Health Recovery Solutions, that have platforms built to ensure intervention before emergencies arise.

Then there are other companies like Pocket RN. They work in the home care space and enable access to nurses via video chat from the home or wherever the care episode takes place. They understand some of the nuances of that patient and they're able to extend the arms around the

patient at a time where you might not be able to get a caregiver.

I think it's going to lead to better outcomes, especially when value-based care and other types of reimbursement come in and you have to justify quality of care. You need data and analytics to do that. Remote patient monitoring is just one way, but so is digital nursing.

Melvyn: *What dynamics are you seeing in the labor market?*

Angelo: **Labor rates keep going up and there's a real dichotomy between reimbursement rate and cost of care.** You've got a situation where people can't afford care and then you've got these consumer direct models. You have MCO's and payors that are actually leaning heavily into businesses with a large workforce, that's a contingent workforce, that can deploy as needed, but don't sit as a labor cost on payroll if they're not being used for rural markets.

And in those care deserts, what do we do? It's fascinating to watch one part of the government, encouraging that type of model and wanting consumer directed care models and then the Union stepping in saying, hey, we'll, we'll help these employees. And then you've got another arm of the government, namely the Department of Labor, saying we don't believe in independent contracting, we're going to crack down.

We see huge problems in Pennsylvania, where their reimbursement rates weren't high enough to compensate for overtime so providers were treating certain family caregivers in consumer directed models as 1099 and not paying them overtime. Then, the DOL comes in and finding out they violated the labor law, slaps them with a fine. But, if the agencies had followed the labor law according to what the DOL would do, they'd be out of business because they'd have no margin based on the reimbursement rates.

Fireside Chat with Angelo Spinola of Polsinelli Law Firm

Melvyn: It's certainly a dichotomy, and a race to the bottom of sorts. On the one hand, you want the cost of care to come down so that it is more affordable for folks. On the other hand, you know the public sector is overstepping by telling the private sector what type of margins it can earn on some of these businesses. You actually have negative direct margins, not even gross margins, when only factoring in overtime in places like Pennsylvania. And then inflation and scarcity continue to increase the pressure from the vice as rates don't increase and providers are squeezed. Then, when you don't staff caregivers, you end up with a lost cases, so you lose overhead coverage.

Melvyn: *What secret sauce have you seen with businesses that have managed these pain points well?*

Angelo: I've had some clients say that they've cracked the code, but I haven't seen anybody do that for MA Medicare Advantage. Still, I think they're playing the long game because they recognize that MA plans are going to continue to grab lives and population. **So being an early adopter, can be a differentiator. Figuring out the business model that works best first.**

It's all management, right? Management can identify and leverage the tools we're talking about for optimization, workforce retention, leveraging technology in the home, organizational streamlining, etc. **There are things that you can do without being the highest paid employer.**

Melvyn: *Let's shift the conversation and talk a little bit about how buyers think about different reimbursement models within the context of the current M&A environment.*

We talked about private pay not being the largest part of the total addressable market and how there's not as much whitespace as CMS-based reimbursement. We're seeing buyers look past private pay at how they can gain scale with Medicare and Medicaid in key markets where there isn't as much competition. There's an easier path to scale there with large patient populations.

By gaining critical mass, it's easier for them to pay a higher wage and invest in some of the infrastructure that can help scale and make them best-in-class. Obviously, they still love private pay, but they also like diversity as it relates to reimbursement rates. It's a bit of patchwork quilt versus a consistent strategy, which as we think about buyers, both strategic and financial, they are all somewhat idiosyncratic as they are colored by their own past experiences.

On the other hand, there is downward pressure with government stroke of the pen risk – how do you make sense of, for example, where reimbursement will be in five years? **What people hate most is uncertainty, especially people making investments.** But that is countered by a scale argument and a belief in outperformance that operators and investors have when they build an innovative business model.

Angelo: I think we've seen a change in the way that deal making is done over the years. We won't see the end of private equity; it's going to ramp up. We'll see more investment and I think that the money is there because the supply and demand of care must be solved.

We see strategics and PE firms buying a lot of smaller companies, doing a lot of roll up strategies where they've got a talented executive or a large deal team to execute. However, they are a lot more targeted than in the old days. There are also fewer large assets in the market. I think that buyers have been burned in some instances from casting too wide of a net across too many lines of services, in too many jurisdictions where they bought out and weren't able to operate right. **So, we're working on smaller deals, with more diligence, that take more time.**

We think that 2024 will rebound from 2023, but maybe not to 2022 levels. But looking at the composition of deals, there'll be a higher ratio of smaller, targeted transactions, and higher volume.

Melvyn: *Let's discuss some of the key deals that happened in home-based care in 2023.*

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

Fireside Chat with Angelo Spinola of Polsinelli Law Firm

Melvyn: While we definitely didn't see the volume that we saw in previous years, **we still saw larger and smaller acquirers complete close to 100 transactions across home care, home health, hospice, and integrated care delivery.**

Looking across the continuum of care at integrated care delivery, we had the Amedisys acquisition that was announced by United Health. At \$3 billion, they've signaled more acquisitions are going to be done across the home-based care market. I think that deal is indicative of folks that are in the insurance, network and primary care space coming more into outpatient healthcare services.

Then there are deals like Promedica's divestment of its hospice and home health business, which is the opposite of what groups like United did, looking to refocus on the core and shore up liquidity. For some groups refocusing on the core means building density in core markets or within specific care delivery models, for others it means divesting like Promedica.

Other groups still decided it was time to exit, even PE-backed groups. Tenex Capital Management exited Team Select, a multi-state provider of pediatric home health services, which was acquired by Court Square. We're hopeful that this year we will see some more of that because if the private equity firm start to exit, think that will be beneficial for everyone.

Caveat being, if we don't see big changes in interest rates, depending on where certain sponsors bought in at, there may be a negative impact on valuations as Sponsors are forced to settle for lower multiples when compared to the multiples they had when they entered an investment.

Angelo: With 2023 in the rear view, I think that we learned there will be more mega deals like Amedisys in 2024. If a large payor gets a massive asset, it's going to focus more on building out across the continuum. I think from a provider perspective, we will see a larger focus on the continuum as well, which has to do with regulatory environments becoming more complex and localized, especially across state lines.

Melvyn: *Any predictions in home care in 2024?*

Angelo: We've been retained a lot more lately to investigate consumer directed models - what is the risk, the opportunity, how do we break in, and who else is in the space? This is probably a contrarian view, but I think we're going to see an increase in that model while at the same time a focus from regulators on limiting the model and the gig economy as much as possible.

Take Papa for example, a company with a 1099 model with a marketplace where a Company connects the care recipient and the care provider. A number of issues popped up there, including alleged abuse and harassment that went both ways. Sometimes it was a client, sometimes it was the caregiver. But having a program or system without oversight, the right training, and supervision isn't the answer either, so I think a hybrid model could start to take shape in 2024.

We've always been a very fractured industry with thousands and thousands of providers, and I think we're going to continue to see consolidation in what will never be a consolidated industry but will become an industry of bigger players. I think small providers who are tired will sell to the mid-sized providers and the mid-sized ones will now become a little larger.



Angelo Spinola

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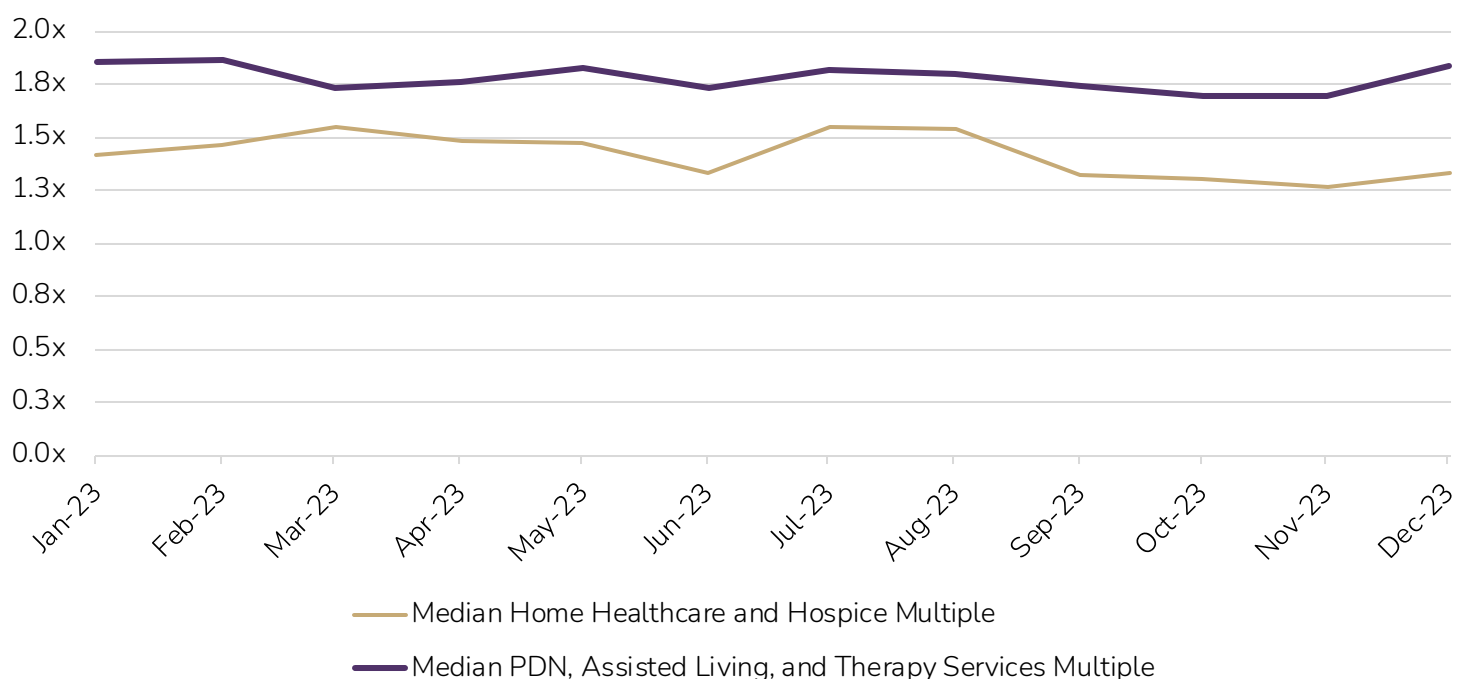
"We think that 2024 will rebound from 2023 but maybe not to 2022 levels. If you looked at the composition of deals, there will be a higher ratio of smaller, targeted transactions higher volume."

For more information on Polsinelli please visit www.polsinelli.com or watch the full interview [here](#)

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Home-Based Care Public Comparable Companies Analysis

Enterprise Value to Forward Revenue Multiple



Home Healthcare and Hospice								
Company	Ticker	Share Price	Fully Diluted Market Cap	Enterprise Value	EV / Revenue		EV / EBITDA	
					TTM	NTM	TTM	NTM
Encompass Health	NYS: EHC	\$66.72	\$6,791	\$10,246	2.2x	2.0x	10.8x	9.8x
Chemed	NYS: CHE	\$584.75	\$8,977	\$8,941	4.0x	3.7x	20.6x	17.5x
Option Care Health	NAS: OPCH	\$33.69	\$5,970	\$6,750	1.6x	1.5x	16.6x	15.5x
Amedisys	NAS: AMED	\$95.06	\$3,134	\$3,599	1.6x	1.5x	14.4x	14.4x
ModivCare	NAS: MODV	\$43.99	\$647	\$1,747	0.6x	0.6x	8.7x	7.8x
Addus HomeCare	NAS: ADUS	\$92.85	\$1,547	\$1,684	1.6x	1.5x	14.8x	13.0x
Aveanna Healthcare	NAS: AVAH	\$2.68	\$511	\$1,806	1.0x	0.9x	13.9x	12.1x
Enhabit Home Health	NYS: EHAB	\$10.35	\$527	\$1,146	1.1x	1.1x	10.2x	12.0x
Pennant Group	NAS: PNTG	\$13.92	\$420	\$742	1.4x	1.3x	19.1x	16.1x

Median	1.6x	1.5x	14.6x	13.7x
Average	1.7x	1.6x	14.8x	13.5x

PDN, Assisted Living, and Therapy Services										
Company	Ticker	Share Price	Fully Diluted Market Cap	Enterprise Value	EV / Revenue			EV / EBITDA		
					0	TTM	NTM	0	TTM	NTM
The Ensign Group	NAS: ENSG	\$112.21	\$6,532	\$7,943	0	2.2x	1.9x	0	19.4x	16.6x
Brookdale Senior Living	NYS: BKD	\$5.82	\$1,202	\$5,668	0	1.9x	1.8x	0	19.1x	14.7x
National Healthcare	ASE: NHC	\$92.42	\$1,437	\$1,331	0	1.2x	NM	0	14.0x	NM
Genesis HealthCare	PINX: GENN	\$0.00	N/A	\$2	0	NM	NM	0	NM	NM

Median	1.9x	1.9x	19.1x	15.7x
Average	1.8x	1.9x	17.5x	15.7x

Note: All data as of October 31, 2023; TTM = Trailing Twelve Months; NTM = Next Twelve Months.

HOME-BASED CARE YEAR IN REVIEW

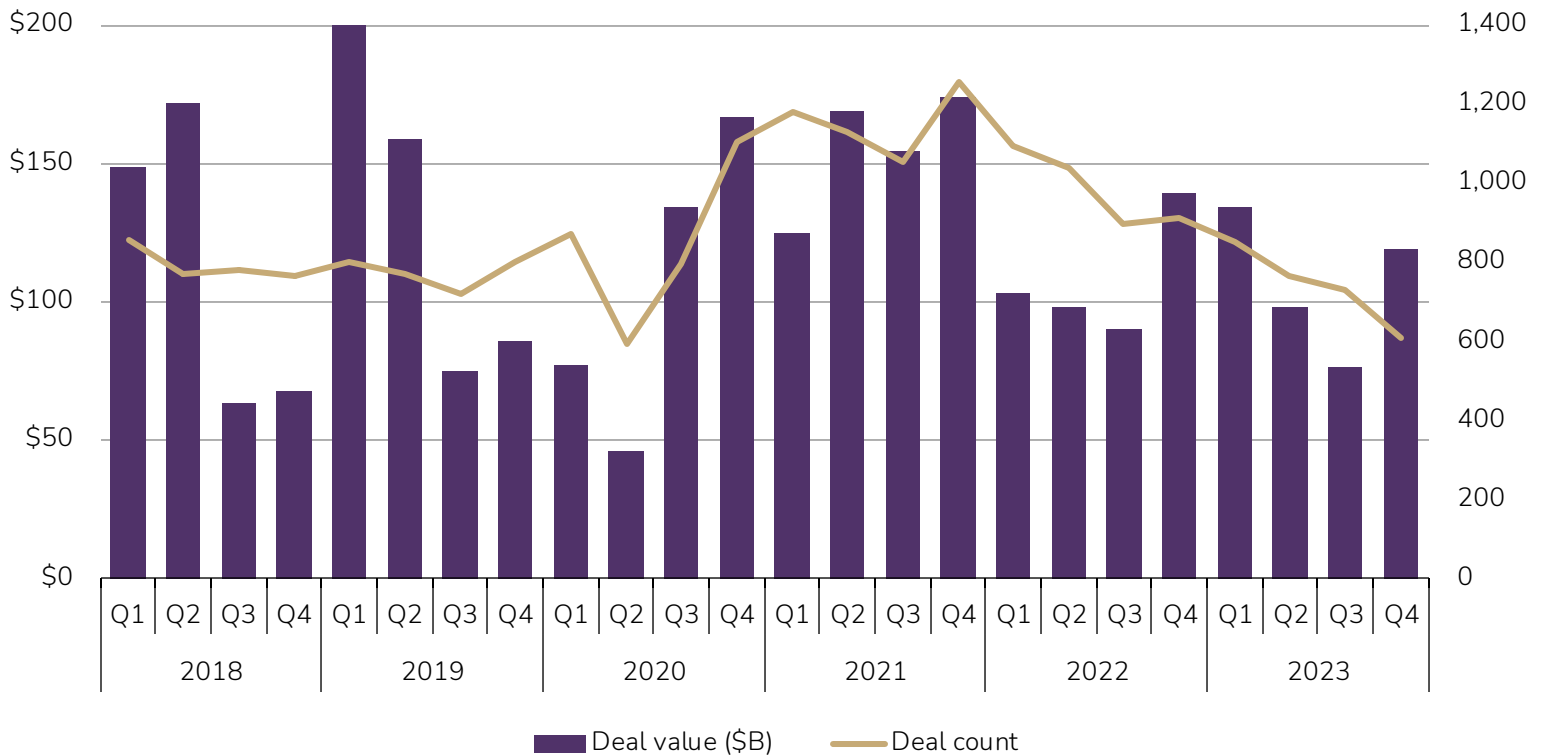
VALUATION POINTERS



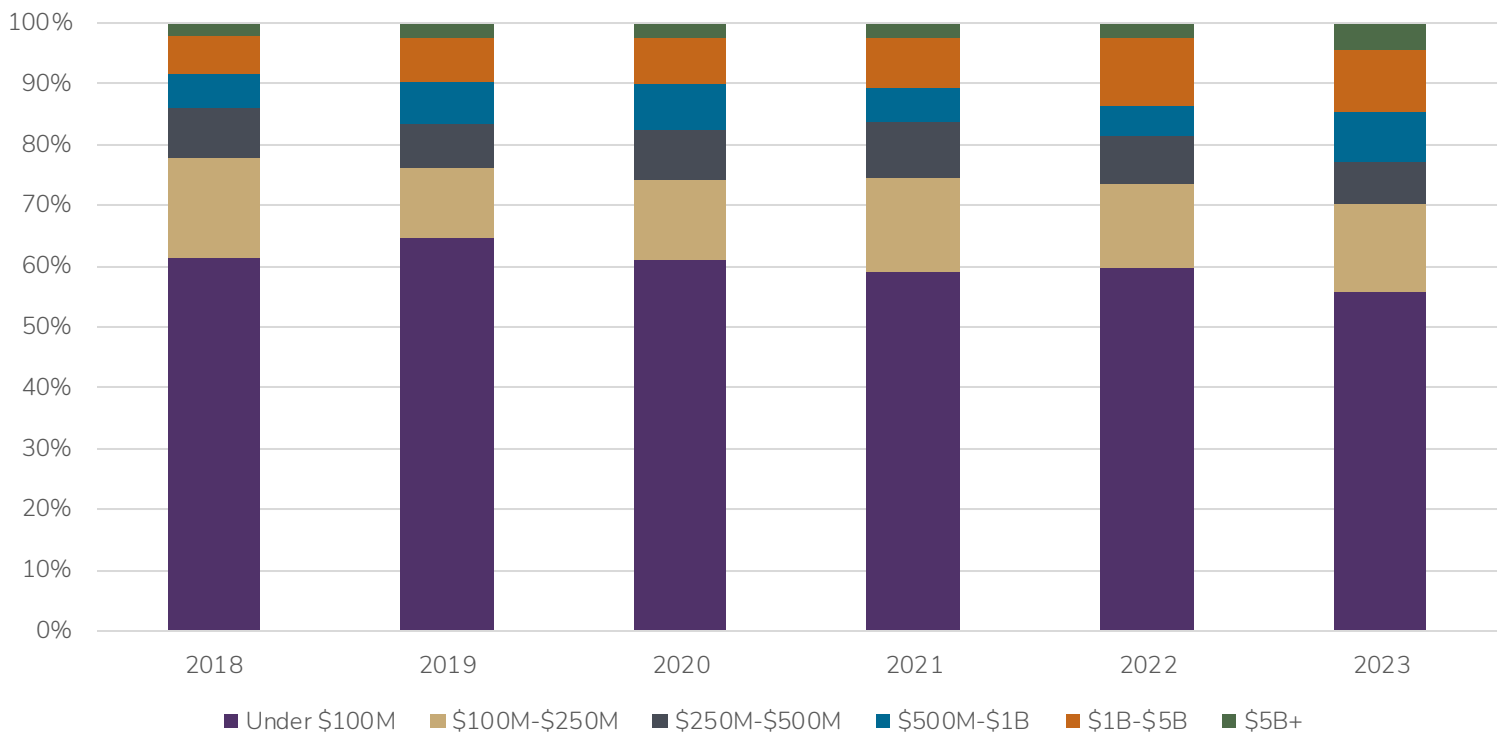
**SECTOR SPOTLIGHT:
HEALTHCARE SERVICES**

Healthcare M&A: Aggregate Activity

Healthcare M&A Activity by Quarter (2018 – 2023)

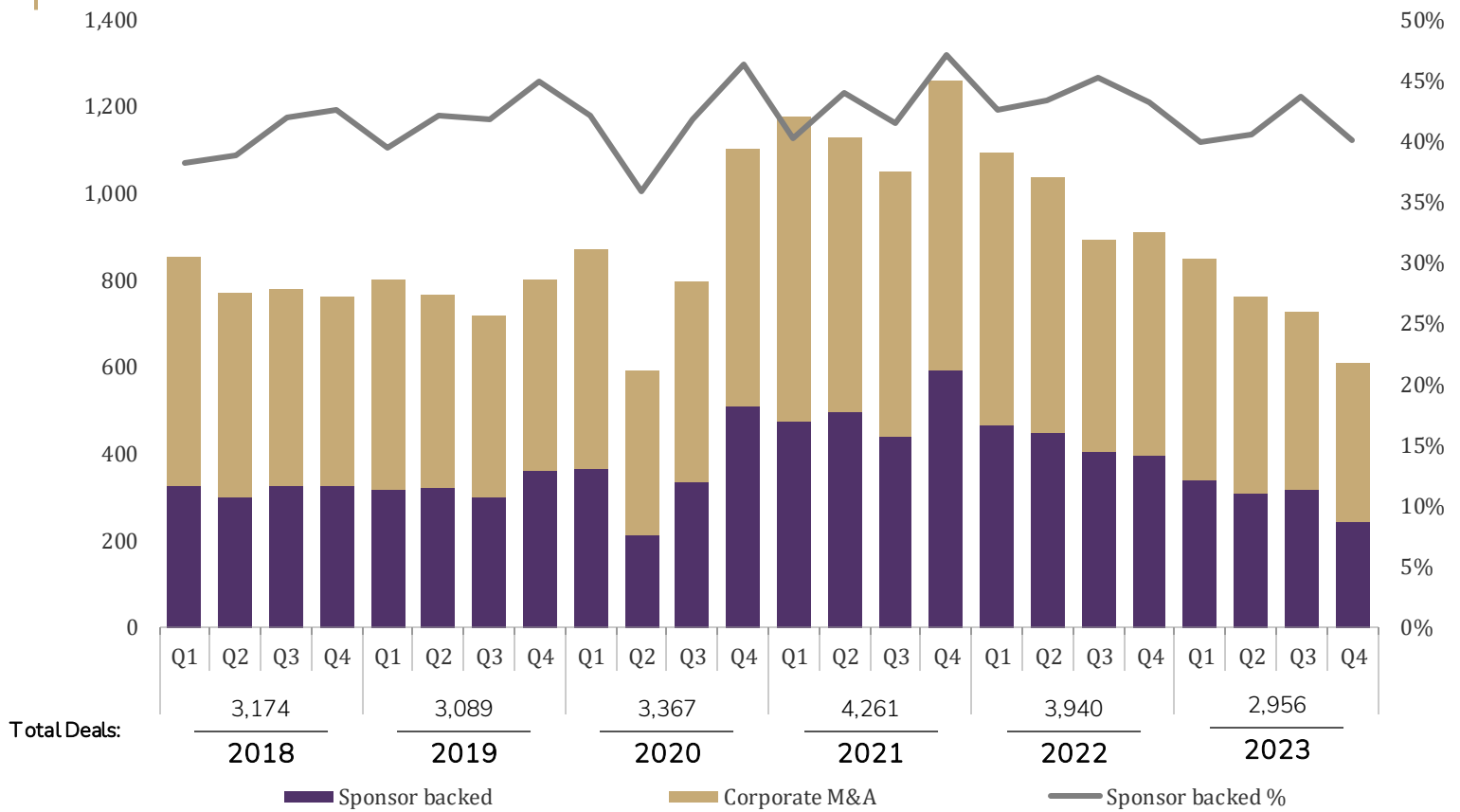


U.S. Healthcare M&A Activity by Size (2018 – 2023)

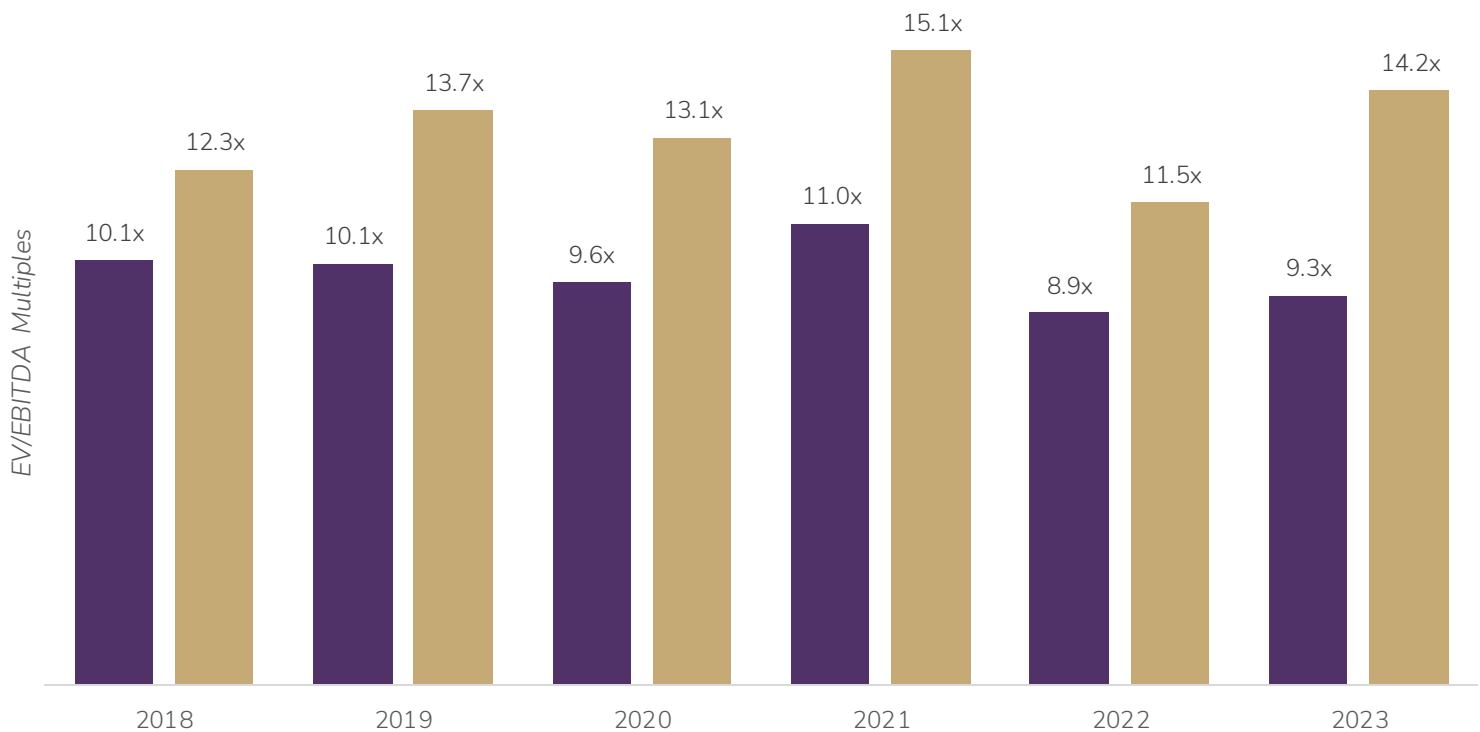


Healthcare & IT M&A: Acquirer Activity and Multiples

Healthcare M&A Activity by Acquirer Type (2018 – 2023)

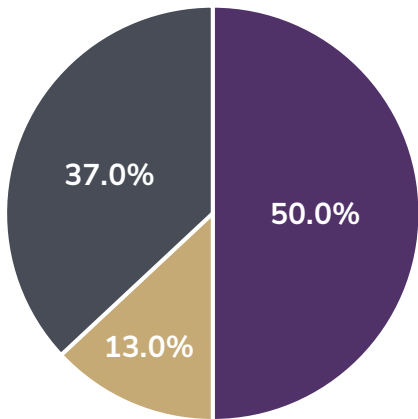


Healthcare M&A Transaction Multiples (2018 – 2023)

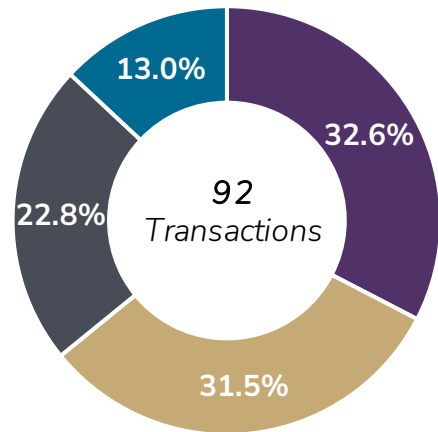


Home Based Care Precedent Transactions Analysis (2023)

Transactions by Category

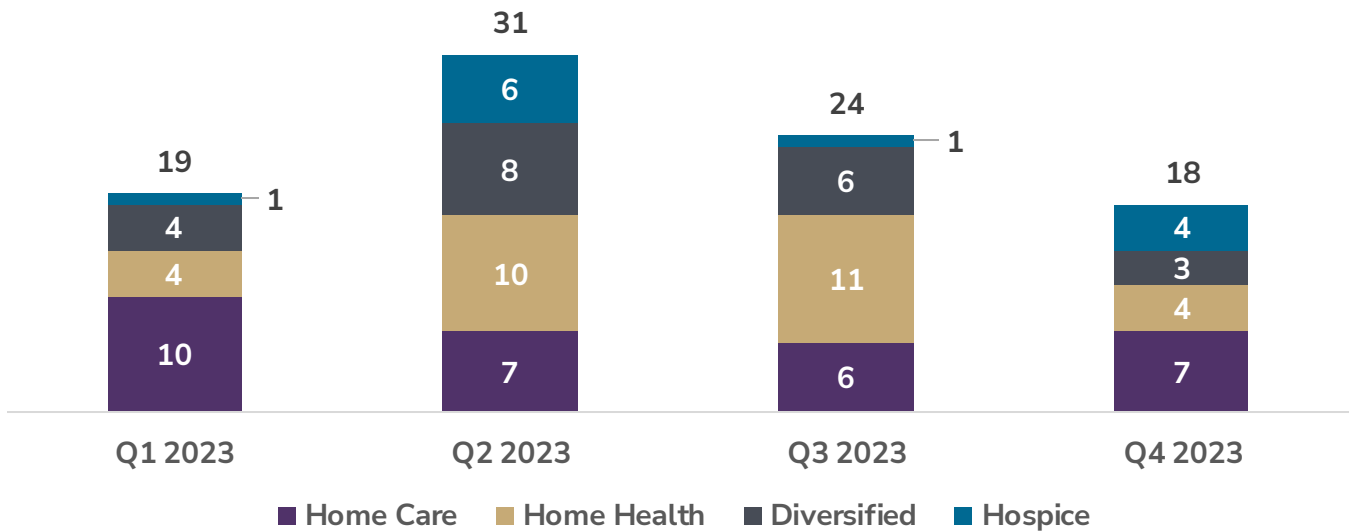


Transactions by Type



■ Strategic
 ■ Platform
 ■ Add-On
 ■ Home Care
 ■ Home Health
 ■ Diversified
 ■ Hospice

Transactions by Quarter by Type



Key Acquirers

Strategic



Sponsor-Backed



Financial Sponsors



Recent Home-Based Care Transactions: Q4 2023 (1/2)

Home-Based Care: Precedent Transaction Analysis					
Date	Target	Target Description	Acquirer	Sector	Strategic vs. Sponsor
Dec-23	Visiting Nurse Association of the Space Coast	Provider of nursing and hospice services intended to serve senior citizens.	Waud Capital Partners	Diversified	Sponsor
Dec-23	Safe Haven Hospice	Provider of healthcare services intended to serve patients who are terminally ill and require pain management.	Residential Healthcare Group	Hospice	Strategic
Dec-23	St. Louis Home Health	Operator of a home health agency intended to focus on orthopedics for elderly people.	Lutheran Senior Services	Home Health	Strategic
Dec-23	Barton's Angels	Provider of home health care services intended to help clients thrive.	Best of Care	Home Care	Strategic
Dec-23	Physiocare Home Healthcare	Provider of home health care services based in Lafayette, Indiana.	Valeo Home Health & Hospice	Diversified	Sponsor
Dec-23	Nova Home Health Care	Provider of in-home care services to clients in Northern Virginia.	Care Advantage	Home Care	Sponsor
Dec-23	Southwestern Palliative Care & Hospice	Provider of hospice care intended to serve the healthcare industry.	Pennant Group	Hospice	Strategic
Nov-23	Home Instead Cleveland	Provider of non-medical home care services based in Oakland, Ohio.	Rockmont Capital Partners	Home Care	Sponsor
Nov-23	Lumicare Hospice	Provider of hospice health care services focusing on the safety and comfort of its patients.	Choice Health at Home	Hospice	Sponsor

Recent Home-Based Care Transactions: Q4 2023 (2/2)

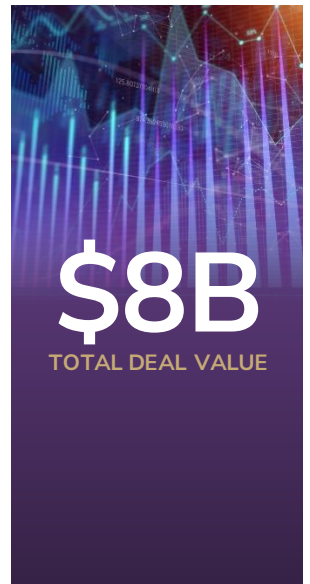
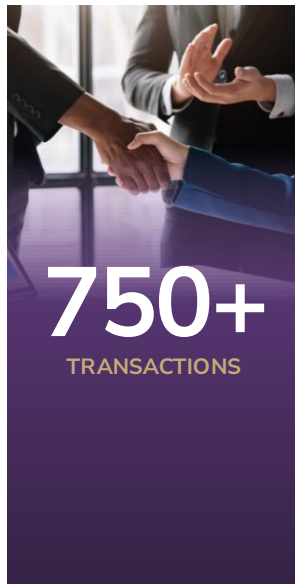
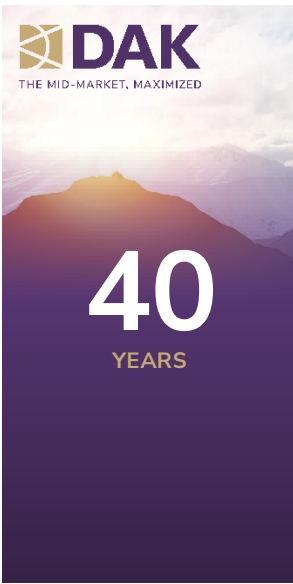
Home-Based Care: Precedent Transaction Analysis					
Date	Target	Target Description	Acquirer	Sector	Strategic vs. Sponsor
Nov-23	Nightingale Services	Provider of home care services intended to offer personal support, homemaker and companion care.	Honor Health Network	Home Care	Sponsor
Nov-23	Guardian Hospice (Elder and Disabled Care)	Provider of hospice care services catering to the senior and elder community.	Pennant Group	Hospice	Strategic
Nov-23	ProMedica Hospice	Operator of hospice and home health center intended to provide specialized care that focuses on advanced illness.	Gentiva Health Services	Diversified	Sponsor
Oct-23	Sodexo (Home Care Division)	Operator of a senior and adult care franchise network in the non-medical in-home care market.	The Halifax Group	Home Care	Sponsor
Oct-23	Independence 4 Seniors	Provider of personalized home care for older adults.	Avid Health at Home	Home Care	Sponsor
Oct-23	Pathfinder Home Health	Provider of home health care service based in The Woodlands, Texas.	New Day Healthcare	Home Health	Strategic
Oct-23	All About Pediatrics	Provider of pediatric health care services intended for children with special needs.	Pediatric Home Service	Home Health	Sponsor
Oct-23	Well Care Home Care (Home Care Business)	Provider of home care services to people of all ages who need assistance to accomplish tasks at home.	Avid Health at Home	Home Care	Sponsor
Oct-23	American Family Home Health	Provider of home healthcare services intended to give high-quality, professional medical care for a wide range of conditions.	Elara Caring	Home Health	Sponsor

YOUR STRATEGIC AND M&A PARTNERS IN HEALTHCARE SERVICES

ABOUT DAK



SECTOR SPOTLIGHT: 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 MM EBITDA

\$10-400 MM enterprise value

\$10-300 MM annual revenue

Advisory Focused Investment Banking

M&A Advisory

Buy and sell-side domestic and cross-border transactions including sales, divestitures, mergers, acquisitions

Strategic Advisory & Valuation

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

Focused Middle Market Coverage

Healthcare Services

INTERACTIVE DIGITAL SOLUTIONS
A portfolio company of **BERENSON**
has been recapitalized by management

FOCUS FORWARD SKILLED CARE
has been acquired by **sonas HOME HEALTH CARE**

BOMEDIX
has been acquired by **KYON VETERINARY SURGICAL PRODUCTS**

HRL HAMILSON RESEARCH LABORATORIES, INC.
has been acquired by **SGS**

Generalist Coverage

Lovain Bakery
received an investment from **STRIPES GROUP**

TE Equipment
has been acquired by **TestEquity** a subsidiary of **LANSON**

CAMBRIDGE has been acquired by **LENOX**
a portfolio company of **CENTRE LANE PARTNERS**

KOGEA has sold substantially all of its assets to **IPUL**
a portfolio company of **LOVELL MINNICK PARTNERS**

Diversified Industrials

Rapid Pump & Meter Services Co., Inc. and **Machinery Services Corp.**
has been acquired by **HIDDEN HARBOR**

deVa has been acquired by **CMT CONSOLIDATED MACHINE & TOOL**
a portfolio company of **WHITEWOLF CAPITAL LLC**

ENGLERT has been acquired by **Audax Group**

American Van has been acquired by **SAFE FLEET**

Pro Audio Visual

ADTECH has been acquired by **AVI SPL**
a portfolio company of **MARLIN EQUITY PARTNERS**

ADI has been acquired by **ERMAN**

Diversified. has received an investment from **TAILWIND**

FORERUNNER TECHNOLOGIES, INC. has acquired the systems business unit of **EarthLink**

DAK's Healthcare Services Team



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Deep Expertise in the Healthcare Services Ecosystem

Trusted advisor to key stakeholders in home health and care, behavioral health, healthcare IT, medical device & lab, and pet healthcare services providers.

Strategic Advisor



is providing strategic guidance to



A Confidential
Home Care Provider

Sell Side Advisor



is currently in market with



A Regional
Home Health Provider

Sell Side Advisor



a portfolio company of



Has been recapitalized by management

Financial advisor to
Berenson Capital and IDS

Strategic Advisor



has provided strategic guidance to



A Multi-Site Senior Citizen
Mental Health Services Provider

Sell Side Advisor



is currently in market with



A Confidential Specialty
Care Diagnostics Software Provider

Sell Side Advisor



has been acquired by



Financial advisor to
Focus Forward Skilled Care

Sell Side Advisor



has been acquired by



Financial advisor to
Interactive Systems & Management Corporation

Sell Side Advisor



has been acquired by



Financial advisor to
Harrison Research Labs

DAK Group's Healthcare Services Coverage Area



Home-Based Care

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



Franchise

Key Trends

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

Select Market Participants



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



I/DD & ABA



Addiction Treatment

Key Trends

- 1 of 25 adults live with a severe mental health illness.
- Increasing consolidation of providers 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.

Select Market Participants



DAK Group's Healthcare Services Coverage Area



Healthcare IT (Report Focus)

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



Telehealth



Data Analytics

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.

Select Market Participants



Diversified Healthcare

Diversified Healthcare offerings including pet health services, laboratory services and other diagnostic testing, physician practice management, biotech and medical device companies and other healthcare service providers.



Biotech and
Devices



Pet
Health



Laboratory
Services



Other Healthcare
Services



Physician Practice
Management

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.
- The effects of the COVID-19 pandemic have proven to accelerate growth within the laboratory services market due to demand for COVID-19 testing along with the need for accurate and early disease diagnosis of other chronic and infectious diseases.
- With the use of electronic data becoming evermore prevalent in the healthcare space, robust practice management systems are becoming a necessity for medical and physician practices in order to be in line with regulatory and compliance requirements along with efficient and accurate patient record keeping.

Select Market Participants



FOR MORE INFORMATION CONTACT...



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How We Can Help You

DAK helps middle-market, privately held businesses, sponsor backed companies, and PE firms in the **Healthcare** space garner the greatest value for their companies.

As owners looking to grow, exit or just “take some chips off the table” by reducing risk, our teams provide operational advice, pre-transaction planning and expertise leading buy-side and sell-side transactions that create exceptional value.