

HEALTHCARE SERVICES MONTHLY FLASH REPORT

January 2025



**SECTOR SPOTLIGHT:
HOME-BASED CARE**

Home-Based Care

Sector Spotlight: January 2025

While the M&A market had a slow start to 2024, Q4 finished strong with 100 transactions. Compared to 2023, 2024 saw an uptick of 8.7% in home-based care activity. Thanks to cooling inflationary conditions, interest rate cuts, and the end of election uncertainty, the stage has been set for a strong 2025 as private equity and strategics alike must deploy record levels of capital.

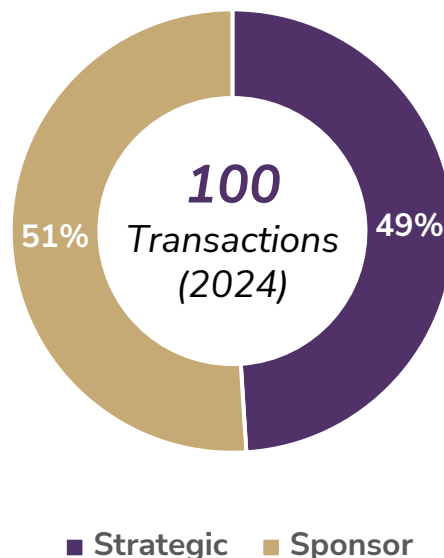
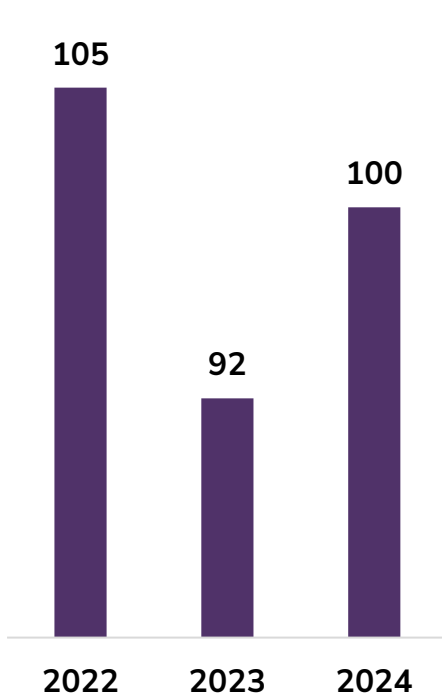
As of Q4, transactions continue to be evenly split on a trailing basis between strategic and financial acquirers. Publicly traded, The Ensign Group and Pennant Group, continue to be two of most prolific repeat acquirers, totaling eight and five transactions, respectively in 2024.

M&A activity for 2024 was driven by Private Equity investment, expansion of geography and patient census, acquiring across the continuum, and service capability diversification.

Notable Home-Based Care Transactions

 has been acquired by 	 has been acquired by 	 has been acquired by 	 Missouri and Texas Hospice Operations has been acquired by 	 have been acquired by 
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Home-Based Care Transaction Activity (as of Q4:2024)



Key Takeaways

- Annual transaction activity was up ~9% YoY'
- Home Care transactions represented 37% of total transaction activity
- Diversified providers represented the largest value of transactions (39%)
- Pure-play Hospice and Home Health had the lowest share of deal volume, 14% and 10%, respectively

Key December Healthcare Transactions

Diversified Healthcare Services (*Infusion*)



Acquirer

Solution Nursing

Target

Dynamic Infusion, a leading provider of home infusion services, acquired **Solution Nursing**, a provider of home infusion nursing services on behalf of specialty pharmacies in Maryland, Delaware, Pennsylvania, and Northern Virginia. [Press Release](#)

The acquisition showcases an **M&A strategy to build density and increase penetration of key markets.**

Home-Based Care



Acquirer



Sopris Capital



Target

Renovus Capital Partners, a Pennsylvania private equity firm, acquired **Superior Home Health**, a portfolio company of **Sopris Capital**. Superior is a leading provider of home care, home health, therapy, and hospice services across thirty parishes in Louisiana. [Press Release](#)

The acquisition showcases **PE's continued interest in home-based care and its latest platform investment.**

Behavioral Healthcare



Acquirer



Target

Proven Behavior Solutions, a leading provider of outpatient therapy services for children with autism in Massachusetts, has acquired **Prism Autism Education & Consultation** of Connecticut, a provider of family-centered, evidence-based treatment for Autism. [Press Release](#)

The acquisition showcases an **M&A strategy to expand geographic reach and service offerings.**

Healthcare IT




Acquirer



Target

OpenClinica, a provider of eClinical software solutions backed by **Thompson Street Capital Partners**, acquired **BuildClinical**, a leading patient recruitment solution for academic researchers. The deal enables bespoke recruitment, consent, enrollment, and data capture solutions for clinical trial patients. [Press Release](#)

The deal illustrates an **M&A strategy to deepen technology capabilities to better serve customers.**



Selling your business is a once-in-a-lifetime opportunity to maximize the value of your hard work, whether you're selling to a strategic or financial buyer, contemplating a management buyout, or preparing to transition the business to the next generation.

Preparing early and focusing on key factors can significantly impact its perceived value, regardless of your timeline or exit strategy. Start now to ensure the best possible return on your investment.

The *Healthcare Mid-Market, Maximized* – 12 Critical Steps to Prepare Your Healthcare Business for Sale

Step 1: Be Ready to Sell at All Times

You must prepare to sell your business far in advance of going to market. If you wait until you're ready to sell to optimize, your greatest opportunity to build value may be lost. Look for ways to increase earnings and maximize profitability now.

Become replaceable, eliminate the "you" factor. It is absolutely vital that potential buyers see a strong management team that is not dependent upon you, the owner, to manage business operations, and that the thriving organization you built can succeed without your active involvement.

Step 2: Communicate Your Vision of The Future

Buyers are interested in potential - they buy the future, not the past. You must be able to paint a compelling and defensible picture of your company's path forward and the opportunities that will propel its growth in the years ahead. Do not leave it to the buyer to understand your company's vision and roadmap for future growth but communicate it to them with cogent messaging.

Action Item - Positioning Growth: Growth opportunities with momentum resonate the most with buyers. For instance, if you are a skilled home care and hospice provider looking to offer hospital-at-home services, don't just have that as a talking point, execute on that idea so you can showcase contracts and revenue within your services area.

If you think you can leverage your payor relationships

to enter an adjacent market, do it in advance, establish an operational foundation, and show the replicability of your growth strategy. Nothing excites a buyer more than knowing the team can walk the talk of growth!

Step 3: Understand Your Business Value and Value Drivers

The true value of a company can vary widely depending on the fit with any given potential acquirer. As a result, most business owners don't understand the potential value of their companies. While factors like multiples of revenue or EBITDA can be helpful in establishing some benchmarks, they are far from conclusive when it comes to defining market valuations.

Why is this? It is absolutely essential to understand business value from the perspective of a buyer. Often the motivation behind a given suitor's interest in your business is not obvious. Their view of its value may be completely different than yours. For example, you may consider the quality of your services to be your company's greatest strength and therefore represents its greatest value.

A potential buyer, however, may be interested in acquiring your footprint or technology to expand its capabilities —and be willing to pay a significant premium to acquire it.

Buyers are often willing to pay higher prices based

on their economics, synergies, specific goals or even the reputation of your business. It is important to understand all of your company's value drivers to avoid leaving money on the table.

Step 4: Avoid Surprises – Self Due-Diligence

Any serious buyer will perform extensive due diligence prior to consummating a transaction. Any surprises at this stage will have the serious potential to negatively impact a deal. The last thing you want to put into the mind of a buyer is doubt. You can avoid any surprises by conducting your own due diligence process. By conducting this process before going to market, you will gain the ability to identify potential problems and either eliminate or mitigate them.

Action Item - Reimbursement Review: Many sellers think they have strong contracts with their revenue sources, whether they be Medicare, Medicaid, the VA, long-term care, or direct via private pay. However, not all payors are created equally, and reimbursement can vary widely from location to contract to payor type.

Reviewing payor contracts and understanding potential risk factors is critical. In behavioral health, many buyers discount out of network reimbursement due risk. This may require you to shift your business (reimbursement) mix ahead of a sale to lock in optimal value.

Step 5: Address Customer & Supplier Risk

Customer and supplier concentration are two key risk areas for Buyers around business continuity and can have a profoundly negative effect on your valuation. Depending on your specific business type, these issues may be unavoidable. Still, risk can be mitigated with contracts or consents with key customers and suppliers which will instill a greater level of confidence. Whenever and wherever possible, strive to expand and diversify both your customer base and supplier pool, which will help to increase the value of your business.

Step 6: Lock in Key Employees to Mitigate Risk

If your operation is overly dependent on one or a few key players, would-be buyers may be reluctant to

move forward at all unless you've taken steps to mitigate that risk. Most buyers do not look to save money by terminating key employees. Rather they focus on retaining a company's leadership. Whenever possible, lock in key employees by obtaining noncompete or non-solicitation agreements well in advance of a transaction. Try to align the financial goals of management with ownership to create a win-win situation.

Step 7: Prepare Supportable Financials

The accuracy and veracity of your financials are paramount to buyers. Your financial statements must be reliable, accurate and available in a timely organized fashion. While it is common to present "recasting" adjustments that may more accurately reflect the operations of the business, make sure these adjustments and projections are supportable and realistic. If in doubt, engaging a third-party Quality of Earnings (QoE) provider can help to clean up your numbers and ensure your optimizing your EBITDA, the most common proxy for value.

Action Item - QoE Impact: Maximizing EBITDA in a QoE is critical. If you have a business generating \$3 million of Adjusted EBITDA and the QoE finds an incremental 10% of earnings (\$.3m) for an Adjusted EBITDA of \$3.3m, a deal at a 6x multiple would yield an incremental ~\$1.8mm for a cost of under \$50,000. Not a bad return on investment (36x)!

Step 8: Optimize Working Capital

Businesses leave money on the table by not understanding or managing their working capital. By reducing your company's current assets, you could actually significantly increase its value. Higher levels of working capital do not increase the value of your company. And, as counter intuitive as it may seem, the fact is, they actually reduce it. By establishing what is a "normal" level of working capital for businesses like yours, and managing to it, you will optimize your company's value.

Step 9: It's What You Keep That Counts

Topline valuation in a transaction doesn't matter, after-tax yield does. It is crucial that any deal you make be structured in a tax efficient manner. Again, lead time is the key here. Examine your corporate

structure. Depending on whether your firm is set up as a C-corp, S-corp or an LLC, you could face double taxation at the time of sale. Consider estate planning and gifting issues as well, which could offset your tax burden.

Step 10: Assemble your A-Team of Advisors

The chances are, you've never sold a business before, and you may never do it again. Since this is likely to be one of the most important financial decisions of your life, this is no time to try to learn on the fly. Make sure you assemble the right team of experienced advisors to assist you through the process. A seasoned team of professionals that have "been there, done that" hundreds of times will be your best asset in avoiding anyone of a thousand costly missteps.

The right team will have dedicated experts in accounting, tax, legal and investment banking issues. Each will play a specific role in the sale process, providing you with the insight, expertise and guidance to make the tough decisions along the way. It's often said that people learn from their mistakes, but this is no time or place to put the axiom to the test. You're likely to get just one shot at this, and you'll want an experienced team that will make sure you get it right.

Step 11: Address Deal Killers

While there are many deal killers, most can be avoided if addressed early. Typical deal killers include taxes, environmental issues, employee matters, concentrations, or legal risks. The last place you want one of these issues to rear its ugly head is at the closing table. Take a hard look at these areas and address them now, eliminating or mitigating any "necessary evils" that remain. And be sure to communicate these to the buyer before coming to the table.

Action Item - Clinical Risks: Many companies think they have a squeaky-clean business with no clinical, billing, or regulatory issues – this is not always the case! Consider bringing in a third-party firm to review your practices here. The impact can be significant.

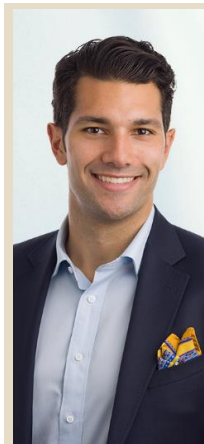
For instance, if you find an issue ahead of a sale

process with your clinical practices, you can remedy it and get through due diligence without issues. If you don't, a buyer could hold back part of the purchase price in escrow or walk away all together! At worst, a severe problem can be solved by taking a pause and going to market later, which is a much better solution than getting to the finish line and a deal falling apart.

Step 12: Keep Your Eye on the Ball

You need to keep running your business and doing the things you've been doing to make your business successful. It's important that you continue to run your business as though you plan to own it forever, especially during the sale process. Again, assembling your A-Team of Advisors will pay off here. Your advisors will manage the process and keep it moving forward without overly distracting you from your primary mission.


The last thing you want to happen is for your company's performance to falter at this critical juncture. Often a business owner will become distracted by the sale process itself, neglecting his or her role in what made the company successful in the first place. Staying focused on running your business will ensure that it retains its value up to and through the transaction closing.



Melvyn Threatt-Peters II is the Director for Healthcare Services at The DAK Group, he works directly with middle market, private business owners as they explore the sale of their companies or consider growth through acquisitions. Please reach out directly to Melvyn with any questions about home-based care, behavioral health, and healthcare IT.

Melvyn Peters

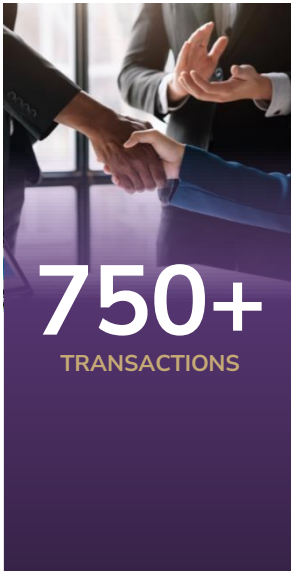
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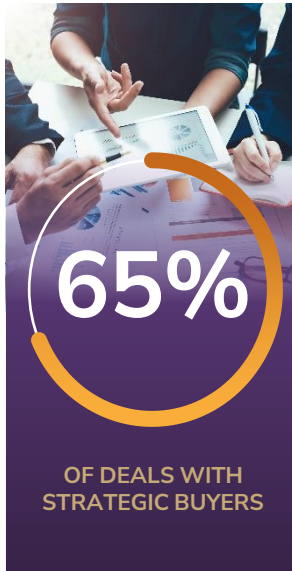
40
YEARS



42
STATES
28
COUNTRIES



750+
TRANSACTIONS



65%
OF DEALS WITH
STRATEGIC BUYERS



\$8B
TOTAL DEAL VALUE

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

Focused Middle Market Coverage

Healthcare Services



A portfolio company of
BERENSON
has been recapitalized by management



has been acquired by
sonas
HOME HEALTH CARE



has been acquired by
KYON
VETERINARY SURGICAL PRODUCTS



has been acquired by
SGS

Generalist Coverage



received an investment from
STRIPES GROUP



has been acquired by
TestEquity
a subsidiary of
LAMBSON



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



has sold substantially all of its assets to
LOVELL MINNICK PARTNERS


Diversified Industrials



has been acquired by
HIDDEN HARBOR



has been acquired by
CMT CONSOLIDATED
a portfolio company of
WHITEWOLF CAPITAL LLC



has been acquired by
Audax Group



has been acquired by
SAFE FLEET

Pro Audio Visual



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



has been acquired by
ERMAN
PRD AV



has received an investment from
TAILWIND



has acquired the systems business unit of
EarthLink

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

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