



*Intrepid Healthcare Report*

*2023 Healthcare Wrap-Up & 2024 Themes to Watch:*

# Pent Up Demand?

Mergers & Acquisitions | Capital Advisory

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## ***2023 Healthcare Wrap-Up & 2024 Themes to Watch: Pent Up Demand?***

In a time of broader market challenges, 2023 proved to be a strong year for Intrepid's healthcare team. Despite the market malaise, we continued to build traction across a number of key verticals. In **behavioral health**, we completed the sale of Your Behavioral Health, a leading provider of mental health and addiction treatment services under the Clear Recovery Center, Neuro Wellness Spa, and New Life House brands, to Comvest Partners. In **home care**, we advised Prime Providers, a portfolio company of The Pine Street Group focused on private-duty nursing and home-based ABA therapy, in their acquisition of Right Choice In-Home Care, a provider of unskilled home care for individuals with intellectual and developmental disabilities. Lastly, in the **home medical equipment supply** space, we advised Shield Healthcare, one of the largest independent value-added distributors of essential medical supplies for patients and caregivers managing care in the home, on their transaction with Henry Schein (NASDAQ: HSIC), the world's largest provider of healthcare solutions to office-based dental and medical practitioners.

With our team growing, we are excited to build on this momentum in 2024 and beyond. Looking ahead, we remain bullish about the opportunities available to healthcare entrepreneur and we continue to monitor several industry trends through 2024:

- **Recession Resilience:** While many sectors struggled in 2023 in the face of economic headwinds and broader market uncertainty, healthcare continued to experience strong growth and robust investor and acquiror interest. This trend is expected to continue for the foreseeable future given the stability and breadth of opportunities that remain in the healthcare sector. Further, ever-present healthcare innovation and new care delivery models will drive investment and acquisition activity.
- **Delayed Deal Flow:** With many financial sponsors and entrepreneurs holding off on sale processes in 2023, there is a growing need for sellers to seek liquidity to return capital to investors or for entrepreneurs to commence succession planning through a sale. Coupled with the fact that strategic buyers and private equity sponsors are still sitting on massive amounts of undeployed dry powder, we believe this will be an accelerant to deal flow in 2024.
- **Improving Interest Rate Outlook:** In 2023, interest rate hikes, paired with uncertainty regarding their longer-term outlooks, meaningfully softened M&A activity. With rates more stabilized and reductions anticipated in 2024, lending markets are poised for a resurgence in private equity deal underwriting. This improving dynamic is likely to catalyze an upswing in M&A across the board.
- **Pandemic Normalization:** Within healthcare, verticals that were more heavily impacted by the pandemic (e.g., staffing, diagnostics, urgent care) experienced tempered M&A interest as many contracted and returned to steady-state levels. It was challenging to complete deals with these trendlines, leading to pent-up demand. With the pandemic now in the rearview mirror and affected subsectors seeing trends normalize, investors and acquirors are gaining confidence about doing deals in these segments again.
- **Focus on Risk:** Healthcare compliance and regulatory environments remain as complex as ever with no signs of abatement. Effective, buttoned-up processes for compliance, billing, accounting, and other functions are increasingly at the forefront of M&A discussions as buyers look to manage risk. Companies that proactively avoid potential issues with rigorous, systematized internal processes will not only improve their operations and reduce their risk exposure, but may also expedite certain parts of an M&A process and increase certainty of closing.

## ***2023 Healthcare Wrap-Up & 2024 Themes to Watch: Pent Up Demand? (cont.)***

- **High Demand for Behavioral Health Businesses:** Behavioral health remains highly attractive and a top priority for many strategic acquirors and financial sponsors. Multiple sub-verticals, including mental health and addiction treatment, continue to see strong performance and robust M&A activity even as other sub-verticals face challenges. A broad array of compelling tailwinds from social media use among teens to the continued destigmatization of mental health treatment continue to drive demand for behavioral health services and present increasing opportunities for industry stakeholders.
- **Compelling Drivers for Home Health:** A wide range of industry and demographic tailwinds are driving a growing share of care away from facility-based care to in-home settings, which lower costs, increase adherence, and improve patient experience. As a result, we are seeing significant M&A activity in home-based care across services, products, and care management.
- **Consumerization of Healthcare:** New companies are emerging in the healthcare ecosystem that directly address consumers / patients looking to take greater ownership of their health journeys with OTC / RX products and healthcare services. Leveraging innovative technologies and telehealth platforms coupled with widespread direct-to-consumer advertising, there is an “arms-race” for larger players to build out comprehensive service offerings for consumers. Despite recent lackluster performance by many of the industry’s heavyweights in the public markets, ample opportunity remains in the private markets for innovative, high-quality direct-to-patient offerings amidst unprecedented demand.
- **Impacts of GLP-1s:** GLP-1s like Ozempic and Wegovy received substantial media attention in 2023, with many claiming that these drugs will turn the healthcare industry on its head through their impacts on obesity and related comorbidities. Many investors and acquirors are questioning how these drugs may help or impair the business models of their portfolio companies and potential targets. While these drugs seem promising, we believe their near-term impacts on companies providing services and devices to obese populations are likely to be less disruptive than some zealots believe, given barriers related to costs, payor coverage, and unknown side effects, among others.

What else will 2024 bring? Please don’t hesitate to reach out to discuss.

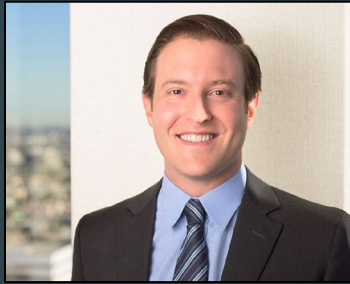


## INTREPID'S HEALTHCARE TEAM



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**Robert Macdonald**

Analyst


## RECENT HEALTHCARE TRANSACTIONS





has sold a majority equity interest to




(NASDAQ: HSIC)




has been acquired by


a portfolio company of



has acquired



with financing from





has been acquired by



(NYSE: AMN)



has received a growth equity investment from




a portfolio company of



acquired

**CONFIDENTIAL**  
Multi-State Autism Services Provider




has been acquired by



**Apostrophe**

has been acquired by



(NYSE: HIMS)



has been acquired by



a portfolio company of




has received structured growth capital from




has merged with



a portfolio company of




has been acquired by



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