

A group of five healthcare professionals, including three men and two women, are standing in a hospital hallway. They are dressed in white lab coats and blue scrubs. One man is holding a clipboard and looking at it, while the others are looking at him or each other. The background is a blurred hospital hallway with white walls and doors.

Healthcare Services

Market Update

JANUARY 2025



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Healthcare Services | 2025 Market Outlook

Cautious Optimism Awaits 2025 Healthcare Services Industry

Despite lower deal volume in 2024, the healthcare services sector saw activity from both strategic and financial buyers.

Megadeals in 2024 remained low relative to 2021 and 2022, potentially due to fear of regulatory scrutiny, with the most notable being TowerBrook and CD&R's \$8.3 billion acquisition of R1 RCM.

Payers continued to explore the "payvider" model to add additional layers of functionality while staffing shortages, rising costs due to inflation and stagnant government funding caused providers to look toward technology to achieve greater efficiencies.

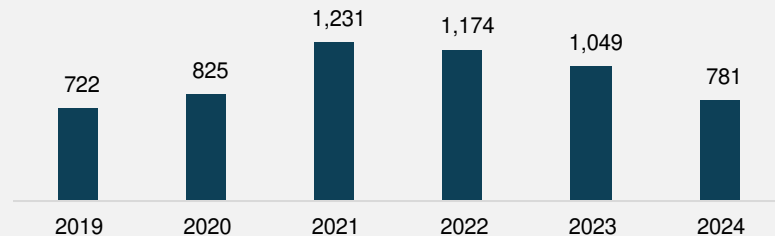
Regulatory uncertainty caused some to shift away from physician practice management models to those that stand to benefit from broader sector tailwinds such as technology as a platform.

While certain provider segments have yet to recover to pre-pandemic operating margin levels, others are gaining the attention of lawmakers due to reimbursement disparity across specialties.

Larger health systems shifted strategic initiatives toward expanding ancillary services via tuck-ins rather than large-scale geographic expansions.

Similar to 2024, smaller to medium-sized transactions are likely to take the largest share of deal activity in 2025, with buyers looking for new capabilities and greater scale while navigating remaining regulatory uncertainty.

U.S. Healthcare Services Deal Volume (2019-2024)



Healthcare services deal volumes and values experienced a decline from 2023 to 2024 of 22% and 21%, respectively

Key Themes Heading into 2025



Evolving regulatory environment and change in policy direction weighing on valuations



Utilization of technology for improved efficiency while delivering high standard of care



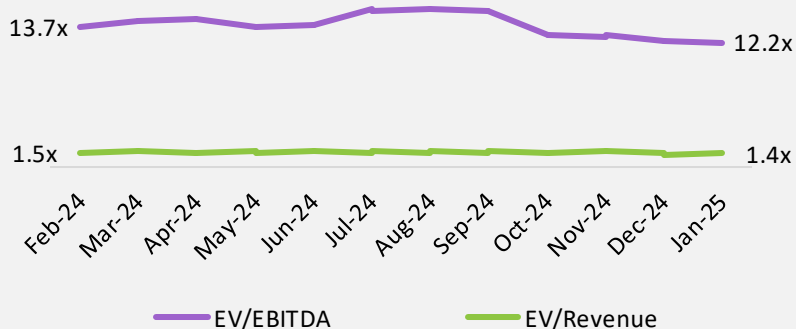
Buyers paying up for assets offering innovative solutions as the market opens back up



Sponsors looking for more creative ways to capture returns given longer hold period and macroeconomic conditions

January 2025 M&A Market Snapshot

Healthcare Services Median Multiple Index^{1,2,3}



Multiples Remain Flat Over the Last Twelve Months

- Healthcare Services EV/EBITDA multiples over the last twelve months through January 2025 experienced a slight decline, primarily driven by a drop in outsourced pharma services and home health & hospice valuations
- Despite home health & hospice experiencing the biggest drop in EV/EBITDA multiples over the observed period, it remains the highest multiple range of all healthcare services subsectors as of January 2025
- EV/Revenue multiples for the same subset of companies within our healthcare services index remained relatively flat over the last twelve months through January 2025
- Health & wellness saw the biggest drop in EV/Revenue multiples over the observed period while laboratory and diagnostic services experienced the greatest increase

Select Healthcare Services Transactions

Date	Subsector	Target	Acquirer	EV (\$M)
01/31/25	Hospitals & Health Systems	CMC CUMMINGS MEDICAL CENTER	HCA Healthcare™	\$110.0
01/30/25	Practices & Provider Groups	GI Alliance	CardinalHealth	\$2,800.0
01/27/25	Laboratory & Diagnostic Services	University Hospitals <i>Outreach Laboratory Services Business</i>	Quest Diagnostics™	Undisclosed
01/21/25	Home Health & Hospice	SYNERGY HomeCare	LEVINE LEICHTMAN CAPITAL PARTNERS	Undisclosed
01/21/25 01/17/25	Practices & Provider Groups	SAMBURSKY EYE AND ESTHETICS doctor & associates GENERAL, DENTAL & END ORAL SURGERY	SightMD Sight Management CHICAGO PACIFIC FOUNDERS DUCHOSSOIS CAPITAL ASSOCIATES	Undisclosed
01/14/25	Other Healthcare Services	accesshealthcare	NMC NEW MOUNTAIN CAPITAL	\$1,450.0
01/08/25	Home Health & Hospice	<i>3 Home Care Services Businesses (PA, DE)</i>	Help at Home. Care to Live Your Life. WELLSPRING CAPITAL MANAGEMENT LLC Centerbridge STRIA	Undisclosed
01/07/25	Laboratory & Diagnostic Services	iuvo Partner Research Organization	CANYON LABS MedVenture	Undisclosed
01/07/25	Laboratory & Diagnostic Services	USDTL	NCP NORTHLANE CAPITAL PARTNERS	Undisclosed
01/02/25	Home Health & Hospice	ENSIGN GROUP	<i>9 SNFs (TN, AL)</i>	Undisclosed



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Contact Us

Please reach out to us to schedule a call to discuss this month's market update or to explore how we can serve your business needs.

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