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INDUSTRY RESEARCH

Q3 2024 Healthcare Services PE Update

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

Key takeaways

- Last quarter, we called a turning point in PE healthcare services investing. We are standing by that call, although we are still waiting for the resulting deal announcements as processes drag on and sponsors try to time the market. Q3's estimated deal count actually turned down moderately from Q2, with 148 deals announced or closed in the quarter.
- Although both buyers and sellers have become more optimistic and active in the second half of the year, much of that optimism and activity has been directed toward healthcare IT and pharma services rather than care delivery.
- Within healthcare services, some of the areas that continue to see the highest levels of sponsor demand and interest, including medspa and outpatient mental health, also have a scarcity of platform-scale assets. Infusion has been the strongest category within healthcare services YTD.
- The PPM dislocation is in such full force that some are referring to investing in specialty physician groups as a "contrarian play," but we foresee a slight thawing for 2025 on the heels of a handful of encouraging strategic exits.
- We also highlight recent IPOs, a spate of deals in oncology, divergent fortunes in senior primary care, our hospice prediction coming true, and more.

PE update

Click [here](#) to download our most recent healthcare services taxonomy, which includes definitions, key investment drivers, and risks by segment. Download the complete Excel dataset, including deal activity charts for 62 segments and subsegments, [here](#). View the healthcare services market map [here](#).

Last quarter, we called a turning point in PE healthcare services investing. We are standing by that call, although we are still waiting for the resulting deal announcements. In the meantime, Q3’s estimated deal count actually turned down moderately from Q2, with 148 deals announced or closed in the quarter. At this rate, we are tracking for deal count in 2024 to come in around 15% below what we recorded in 2023, although we do expect a modest end-of-year bump. Deal timelines are still extended, and much of the uptick in market activity has so far manifested in sponsors engaging bankers but feeling out timing over an elongated period. Most importantly, although both buyers and sellers have become more optimistic and active in the second half of the year, much of that optimism and activity has been directed toward healthcare IT and pharma services.

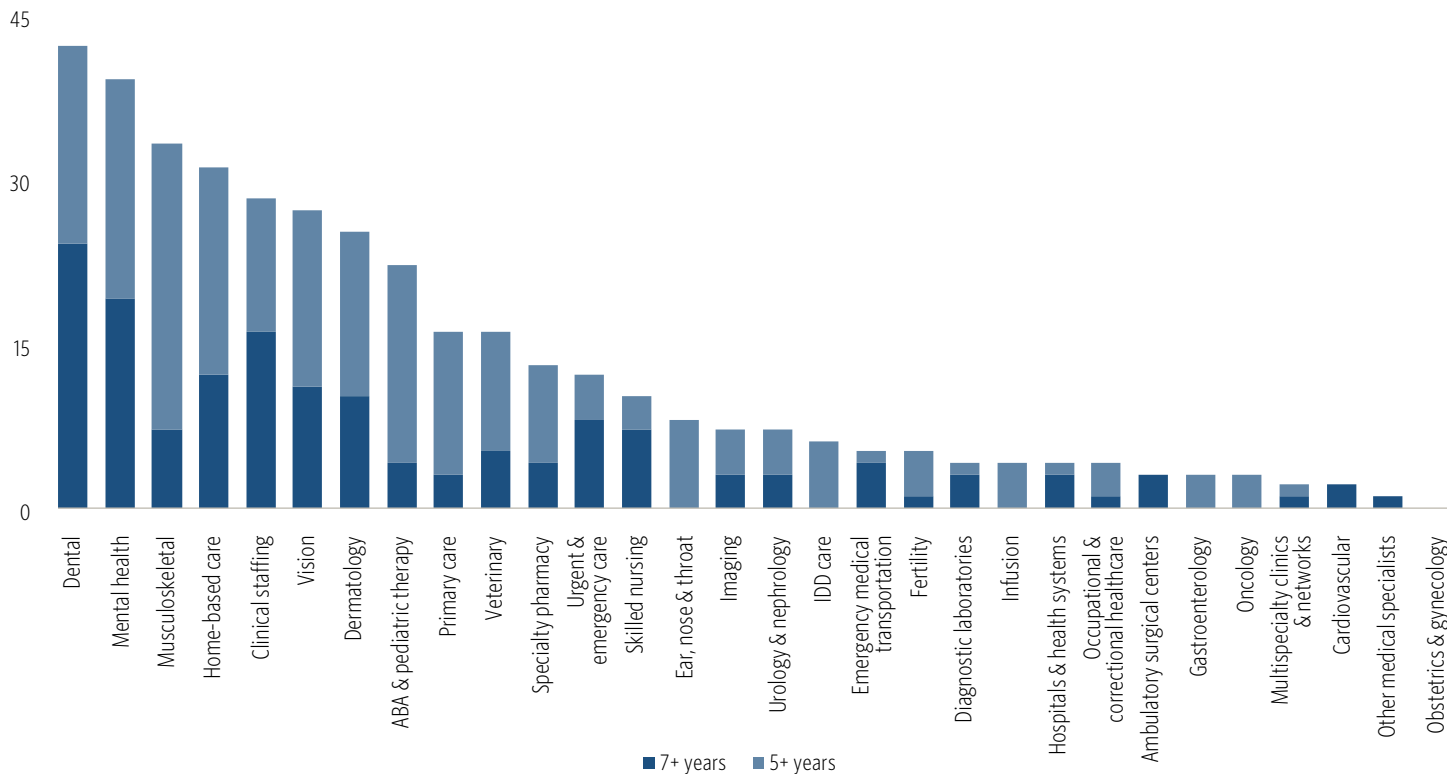
Healthcare services PE deal count by quarter



Source: PitchBook • Geography: US and Canada • As of September 30, 2024

Within healthcare services, some of the areas that continue to see the highest levels of sponsor demand and interest, including medspa and [outpatient mental health](#), also have a scarcity of platform-scale assets. A few sponsors have managed to get deals done in the former category this year—including some unannounced activity—but the latter has remained quiet so far. There is more to come in applied behavioral analysis (ABA) on the heels of two larger platform trades earlier in the year, and we think home-based care will continue to be moderately active. Numerous sponsors are also looking at long-term care (LTC) staffing and other nurse and allied staffing plays.

PE-backed healthcare services company count by subsegment and hold time



Source: PitchBook • Geography: US and Canada • As of September 30, 2024

As we wrote [recently](#), the physician practice management company (PPM) dislocation is in such full force that some are referring to investing in specialty physician groups as a “contrarian play.” We expect to see three things happen in PPMs in the next year or so. First, a few large platforms have traded recently, and a few more are close to the finish line. This, combined with what appears to be a moderate [cooling off](#) of regulatory sentiment around PE investment in healthcare providers, will give the market a bit more confidence and coax a few more platforms forward. Second, many sponsors will opt to hold their PPMs for a while and either work on integration, grow via M&A to outrun their elongating hold periods, or both. Third, some intrepid sponsors—especially those who feel confident in their approach to physician compensation—will continue to actively pursue new PPM theses. We see orthopedics and derivatives (podiatry, pain & spine), specialty dental, and veterinary as relatively more attractive spaces among PPMs for 2025.

Other highlights from the quarter:

- Unusually for healthcare services, two PE-backed IPOs occurred in the quarter: hospital operator Ardent Health and long-term care specialty pharmacy Guardian Pharmacy Services. Additionally, Select Medical Holdings carved out occupational health provider Concentra as a separate public company in July. The listings follow skilled nursing facility operator PACS Group’s IPO in Q2. With exit options still limited for large platforms, the healthcare PE ecosystem is thinking much more seriously about IPOs than it typically would. Public exits

look most feasible in facility-based categories, behavioral health, and home-based care, where there are better public comps.

- The quarter saw a spate of deals in oncology. Audax sold United Urology to TPG- and Cencora-backed OneOncology, and BPEA Private Equity sold Integrated Oncology Network to Cardinal Health. Also, McKesson acquired Florida Cancer Specialists & Research Institute. However, we do not expect many additional oncology deals to follow, as consolidation has more or less played out already in the category, and even more so after these recent announcements. OneOncology and Pharos Capital's Verdi Oncology are the only two major PE-backed oncology platforms left standing.
- Contraction in the Medicare Advantage (MA) market has left many value-based care primary care assets struggling. Sun Capital-backed Clinical Care Medical Centers joined Cano Health as another Florida MA casualty. We also know of several senior primary care platforms that are healthy and looking opportunistically at acquisitions. These include (but are not limited to) Arsenal Capital Partners' MAXHealth in Florida and BPOC's Southeast Primary Care Partners, which recently expanded its footprint in Georgia, Alabama, Florida, and South Carolina into Tennessee. Optum and Humana are also picking up fire sale assets in the Southeast.
- Amulet Capital Partners, which also owns US Fertility, made a second fertility play by acquiring Genetics & IVF Institute, which operates one of the world's largest cryobanks in addition to offering a range of other reproductive services.
- InTandem Capital Partners-backed Vivo Infusion acquired Boyne Capital's Infusion Associates for between \$180 million and \$200 million.¹ Infusion Associates was originally being marketed on \$10 million to \$20 million EBITDA.² Infusion has arguably been the strongest healthcare provider category of 2024 to date, and there are additional assets in market.
- Axios reported that Martis Capital is buying Petra Capital Partners-backed Three Oaks Hospice for \$150 million to \$160 million on \$10 million to \$12 million EBITDA.³ We wrote [earlier this year](#) that hospice was ripe for an uptick in deal activity after a somewhat unjustified cooling off spurred by concerns around reimbursement and compliance risk.
- In another encouraging strategic PPM exit, Webster Equity Partners sold Retina Consultants of America to Cencora in November. Cencora- and TPG-backed OneOncology also acquired The Surgical Clinic, a multispecialty group, in a transaction announced in late October. Additional transactions in vision are likely within the next year, especially under a somewhat more lenient antitrust regime.

1: "Scoop: InTandem's Vivo Infusion Acquires Infusion Associates for Roughly \$200M," Axios, Aaron Weitzman, July 10, 2024.

2: "Scoop: Infusion Associates Coming to Market," Axios, Erin Brodwin and Claire Rychlewski, January 3, 2024.

3: "Scoop: Martis Buying Three Oaks Hospice for \$150M-\$160M," Axios, Claire Rychlewski and Aaron Weitzman, October 18, 2024.

Select healthcare services PE deals in Q3 2024

Company	Category	Deal type	Deal value (\$M)	Close date	Seller/exiter	Acquirer/investor
Guardian Pharmacy Services	Specialty pharmacy	IPO	\$112.0	September 26, 2024	Bindley Capital Partners, Cardinal Equity Partners	N/A
Integrated Oncology Network	Oncology	Acquisition	\$1,120.0	September 20, 2024	BPEA Private Equity, et al.	Cardinal Health
W Aesthetics	Aesthetic dermatology	Buyout	N/A	September 11, 2024	N/A	Athena Capital Partners
Destiny Dental	General dentistry	Acquisition	N/A	September 4, 2024	Dixon Midland Company	ProSmile
Genetics & IVF Institute	Reproductive health	Buyout	N/A	September 3, 2024	N/A	Amulet Capital Partners
Physicians Services Group	Post-acute/LTC staffing	Minority	N/A	September 2, 2024	N/A	Fulcrum Equity Partners
National Foot & Ankle Partners	Orthopedics	Buyout	N/A	September 1, 2024	N/A	The Brydon Group
Alani Skin	Aesthetic dermatology	Buyout	N/A	August 30, 2024	N/A	Northrim Horizon
Platinum Dental Care	General dentistry	Buyout	N/A	August 30, 2024	N/A	Main Post Partners
Windmill Wellness	SUD treatment	Buyout	N/A	August 1, 2024	N/A	Magnificent Legacy Capital, Next Coast ETA, Northspring Partners
WellBe Senior Medical	Home health & hospice	Minority	N/A	July 31, 2024	N/A	Excellus Blue Cross Blue Shield, Intermountain Ventures
Ardent Health Services	Hospitals & health systems	IPO	\$192.0	July 18, 2024	N/A	N/A
Vital Care Infusion Services	Infusion	Minority	N/A	July 1, 2024	N/A	Berkshire Partners, Leonard Green & Partners (Linden remaining an investor)
Infusion Associates Management	Infusion	Add-on	\$180-\$200*	July 1, 2024	N/A	Vivo Infusion (InTandem Capital Partners)

Source: PitchBook • Geography: US and Canada • As of September 30, 2024

*Source: [Axios](#)