BRAFF

The leader in Health Care Services Mergers & Acquisitions

INSIGHT INTO HEALTH CARE SERVICES MERGERS & ACQUISITIONS

THE BRAFF REPORT

Health Care Staffing: The Next Big Thing in Health Care M&A?

The numbers are in.

Several months ago when we released our market report, "Why Staffing Could be the Next Big Thing in Health Care M&A: An Investment – and Divestiture – Thesis," the average number of deals completed per quarter between 2019 and 2020 was a sleepy 4.35 and the sector was in the midst of a rapid decline in deal flow.

But we read the tea leaves, peered into the crystal ball, and broke out the tarot cards and saw a bevy of market variables coalescing that could produce a surge in activity.

Sometimes you get it right.

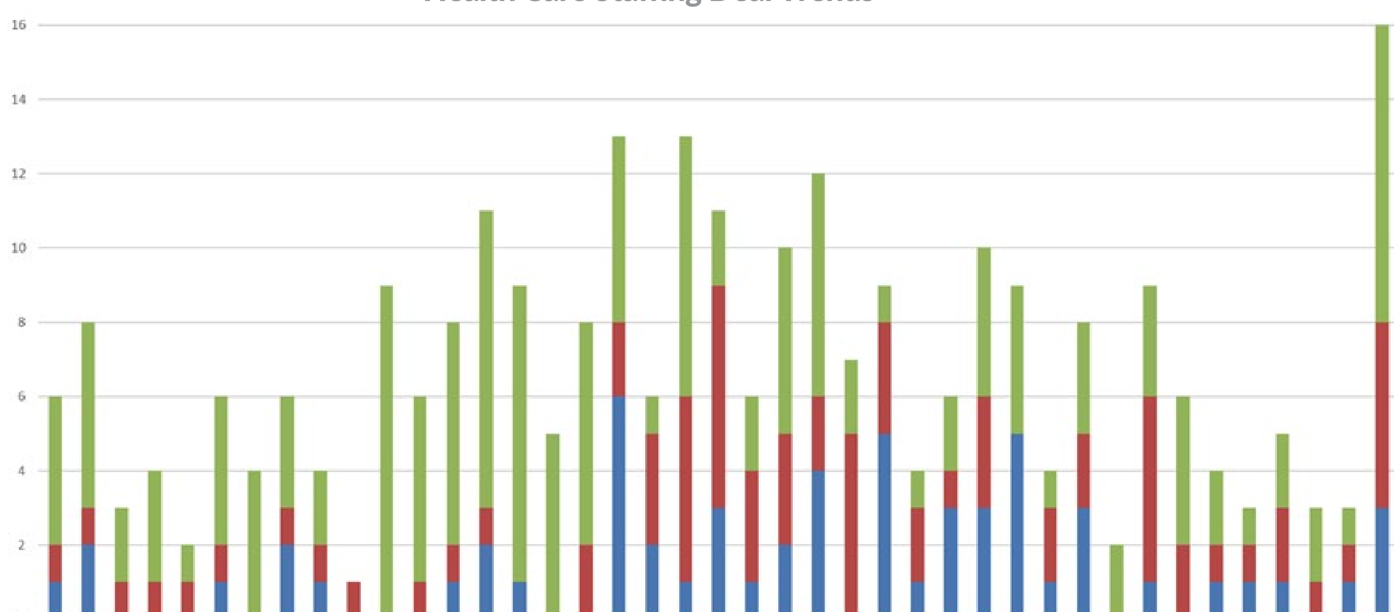
And sometimes you get it really, really, right.

And this is one of those times.

Based upon proprietary data collected and analyzed by The Braff Group and illustrated in the chart below, the first quarter of 2021 saw 16 transactions – **the largest tally of health care staffing deals in twenty years**. If we break the data down further, we can see that the quarter produced **the largest number of private equity sponsored deals since the second quarter of 2017 (8)**, including the **greatest number of market-entry platform deals since the fourth quarter of 2018 (3)**. Such platform transactions (designated as such because they are generally sizeable and have the human resource and operational infrastructure necessary to support follow-on acquisitions and other growth initiatives) are particularly noteworthy as they are often **leading indicators of sustained heightened deal flow**.

As we canvas the market, it is clear that buyers are fast recognizing the extraordinary opportunity before them, and providers are fielding more unsolicited queries than they have in years.

Health Care Staffing Deal Trends



	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Non-PE	4	5	2	3	1	4	4	3	2	0	9	5	6	8	8	5	6	5	1	7
Follow-on	1	1	1	1	1	1	0	1	1	1	0	1	1	1	0	0	2	2	3	5
Platform	1	2	0	0	0	1	0	2	1	0	0	0	1	2	1	0	0	6	2	1

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1
Non-PE	2	2	5	6	2	1	1	2	4	4	1	3	2	3	4	2	1	2	2	1	8
Follow-on	6	3	3	2	5	3	2	1	3	0	2	2	0	5	2	1	1	2	1	1	5
Platform	3	1	2	4	0	5	1	3	3	5	1	3	0	1	0	1	1	1	0	1	3

Source: The Braff Group

BRAFF

THE BRAFF REPORT

INSIGHT INTO HEALTH CARE SERVICES MERGERS & ACQUISITIONS

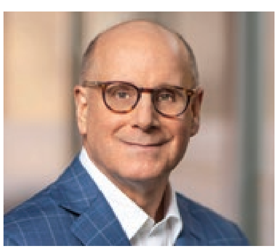
As we laid it out earlier in the year, the investment thesis goes as follows (the complete report can be accessed on our Health Care Staffing page at thebraffgroup.com):

- The cycle is right.
- Demand for health care staffing was rising before the pandemic.
- As a result of COVID, demand is even greater.
- With elective procedures postponed, there will be a backlog of post-pandemic surgeries.
- This, in turn, will support even greater demand for staffing long after the pandemic slows.
- Since hospitals have substantial financial incentives to perform these surgeries, the conditions may support higher pricing.
- The pool of temporary providers will swell as COVID fearing would-be caregivers return to the market and exhausted providers eschew full-time work for temporary positions.
- Revenues, margins, and valuations spike and are sustainable.

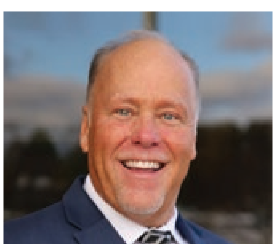
Private equity sponsors live for the kind of market dynamics described to the left.

What's more, PE investments often beget others as sponsors frequently take their cues from their colleagues, which boosts demand and creates a wave of deal flow. Add to that sellers that want to get deals completed in 2021 to avoid the possibility of a substantial increase in capital gains tax (see "The Braff Report: The Looming 50% rise in Capital Gains Taxes"), well, **if we could bet the over/under of breaking the record 41 transactions completed in 2005, we'd put a bundle on the over**.

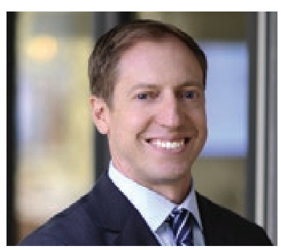
OUR INDUSTRY EXPERTS



Dexter Braff
President
Pittsburgh



Ted Wickman
Managing Director
Staffing Services
Michigan
231-278-7080
twickman@thebraffgroup.com



Steve Garbon
Director of Finance
Pittsburgh
412-833-8690
sgarbon@thebraffgroup.com

Visit us

The Braff Group
1665 Washington Road
Suite 3 and 4
Pittsburgh, Pennsylvania 15228
888.922.5169
thebraffgroup.com

20 YEARS & COUNTING

The Braff Group is the leading mergers and acquisitions advisory firm specializing exclusively in health care services, including behavioral health, home health and hospice, home medical equipment, pharmacy services, staffing services, urgent care, digital health and ancillary services. The firm provides an array of sell-side only transaction advisory services including representation, debt and equity recapitalization, strategic planning, and valuation. Founded in 1998, The Braff Group has completed more than 350 transactions. According to Refinitiv, The Braff Group has repeatedly been ranked among the top 5 health care mergers & acquisitions advisory firms.

20 YEARS & COUNTING • FOUNDED 1998 • THE BRAFF GROUP •

- Behavioral Health
- Home Health & Hospice
- Home Medical Equipment
- Pharmacy Services
- Staffing Services
- Urgent Care
- Digital Health
- Ancillary Services