

J&A Sell-Side M&A Report

Healthcare Services Technology M&A Transactions and Valuations

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AUTHORS



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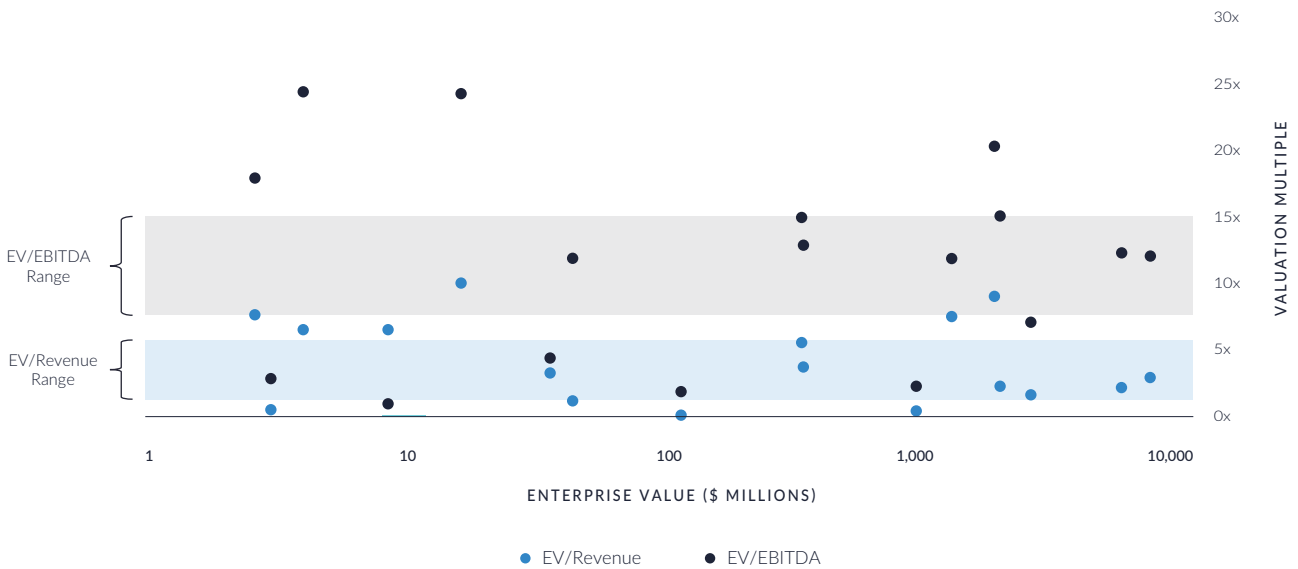
Between Q1 2020 and Q2 2024, \$779 billion was deployed by acquirers in the healthcare services technology sector. Healthcare services technology involves activities and support functions that facilitate healthcare delivery. These services encompass healthcare providers and related services like medical billing, insurance processing, health information technology, administrative support, supply chain management, and facilities maintenance. They also involve healthcare consulting, medical transcription, health data analytics, and pharmaceutical logistics.

Most transactions conducted and capital invested were by US and European-based acquirers. Additionally, strategic acquirers deployed over 75% of the capital invested. Median deal size and valuation multiples have steadily increased since Q3 2023, indicating an uptick in demand for acquisitions in the sector. EBITDA multiple in the sector have ranged between 7x and 15x and vary based on enterprise value and the level of technology implemented.

Healthcare services technology company owners should be aware of exit opportunities presented by strategic acquirers from the US and Europe.

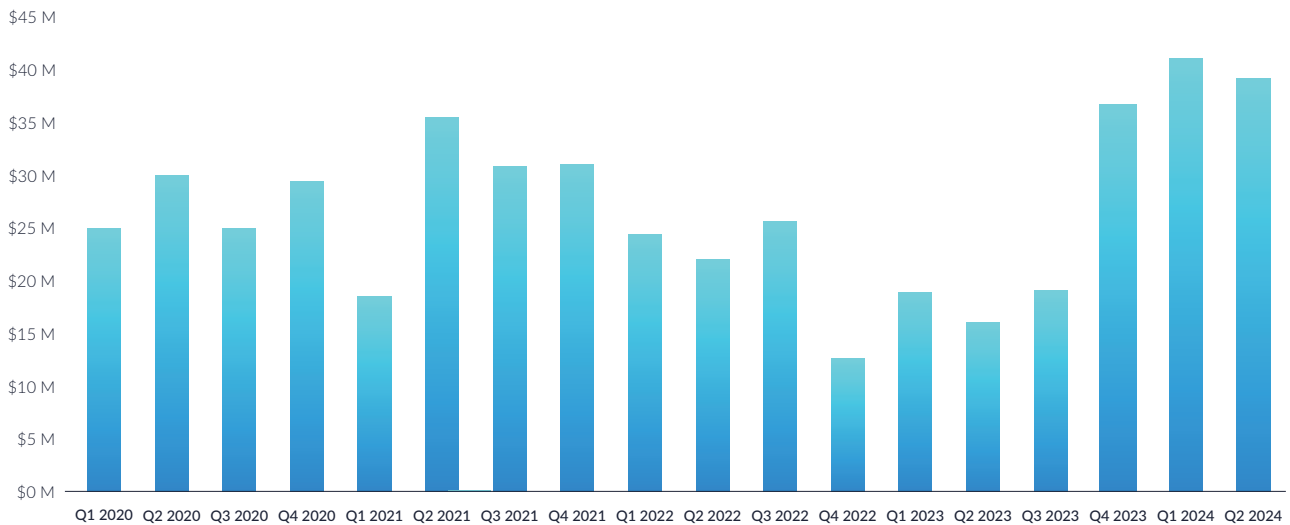
Healthcare Services Technology Valuation Multiple Analysis (Q1 2020 – Q2 2024)

EV / REVENUE			EV / EBITDA		
RANGE	MEAN	MEDIAN	RANGE	MEAN	MEDIAN
2X - 6X	3.5 X	4.1 X	7X - 15X	11.7 X	12.6 X



- The valuation multiples are based on a sample set of publically listed healthcare services technology companies and M&A transactions in the sector. The data were collected on July 11, 2024.
- The sample set trades at an enterprise value to EBITDA multiple range of between 7x and 15x, with an increase in average multiples as the enterprise value increases and with the level of technology implemented.
- Average enterprise value to revenue multiples ranged from 2x to 6x.

Healthcare Services Technology Median Transaction Size (Q1 2020 – Q2 2024)

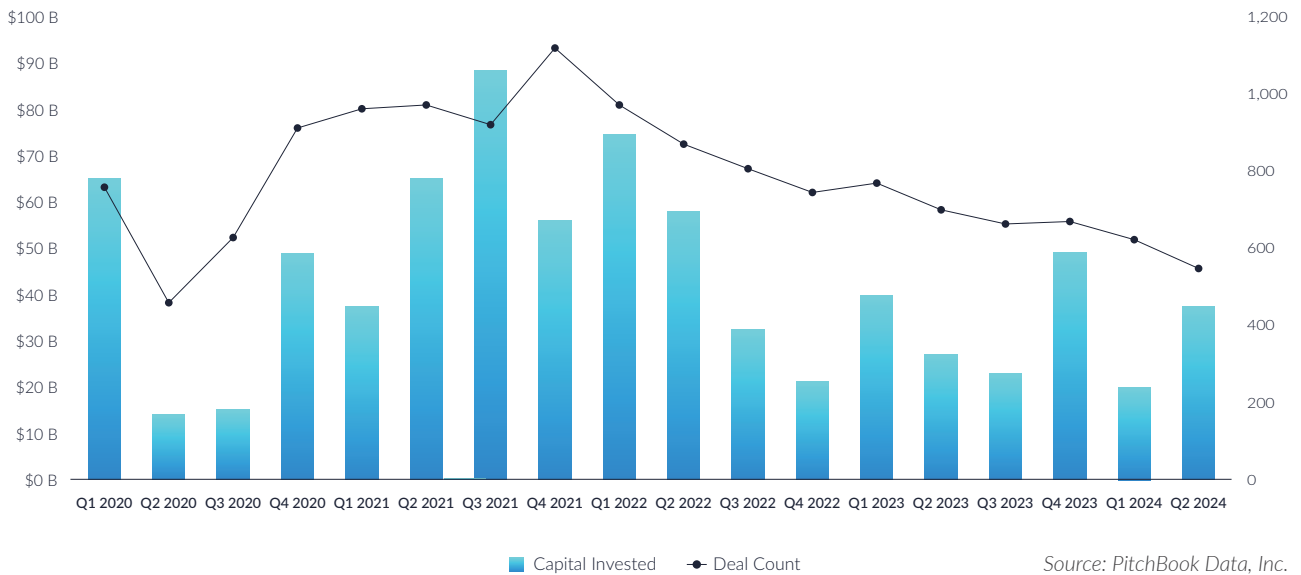


Source: PitchBook Data, Inc.

- The median transaction size has ranged from a high of \$41 million in Q1 2024 to a low of \$16 million in Q4 2022. Median transaction size is a better indicator of the transaction activity than simple averages, as this accounts for outliers and large transactions.
- Median transaction size decreased by over 50% between Q2 2021 and Q4 2022. This corresponds to a period of increased interest rates and a downward trend in capital market activity.
- Q2 2024 and the two prior quarters saw a notable increase in median transaction size, indicating an uptick in valuation and capital market activity.

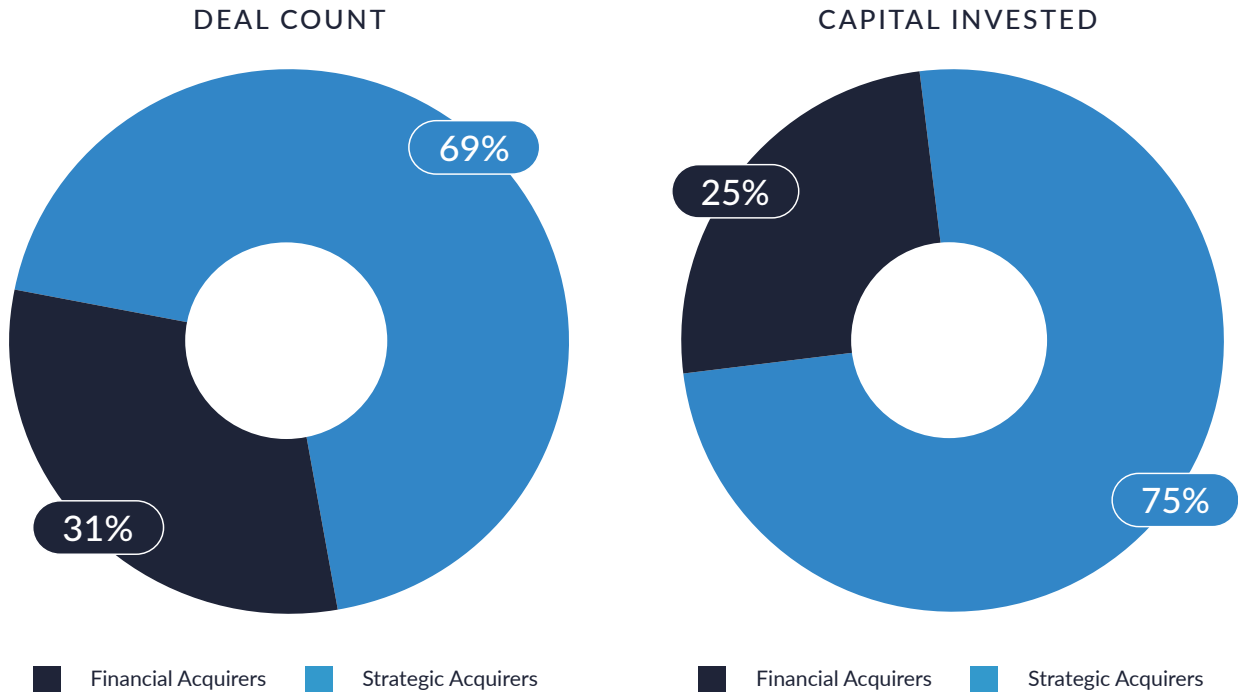


Healthcare Services Technology M&A Transactions (Q1 2020 – Q2 2024)



- Between Q3 2020 and Q2 2024, \$779 billion was deployed across 14,202 healthcare services technology acquisitions. The average transaction value was \$55 million, highlighting the volume of transactions conducted in the middle and lower-middle markets.
- The most significant deployment of capital, \$89 billion, occurred in Q3 of 2021 with the largest deal count occurring in Q4 of 2021, with 1,127 transactions.
- There is a negative trend in the number of transactions conducted per quarter. However, Q4 2023 and Q2 2024 saw significant capital deployment.
- While the deal count shows variability, it remains above 500 deals per quarter, except for the significant drop in Q2 2020. This consistency indicates a stable interest in deal-making, even as the investment amounts fluctuate.
- Oracle's acquisition of Oracle Cerner for \$28 billion, completed on June 8, 2022, was the largest transaction in the sector.

Breakdown of Announced Healthcare Services Technology M&A Transactions by Deal Type (Q1 2020 – Q2 2024)

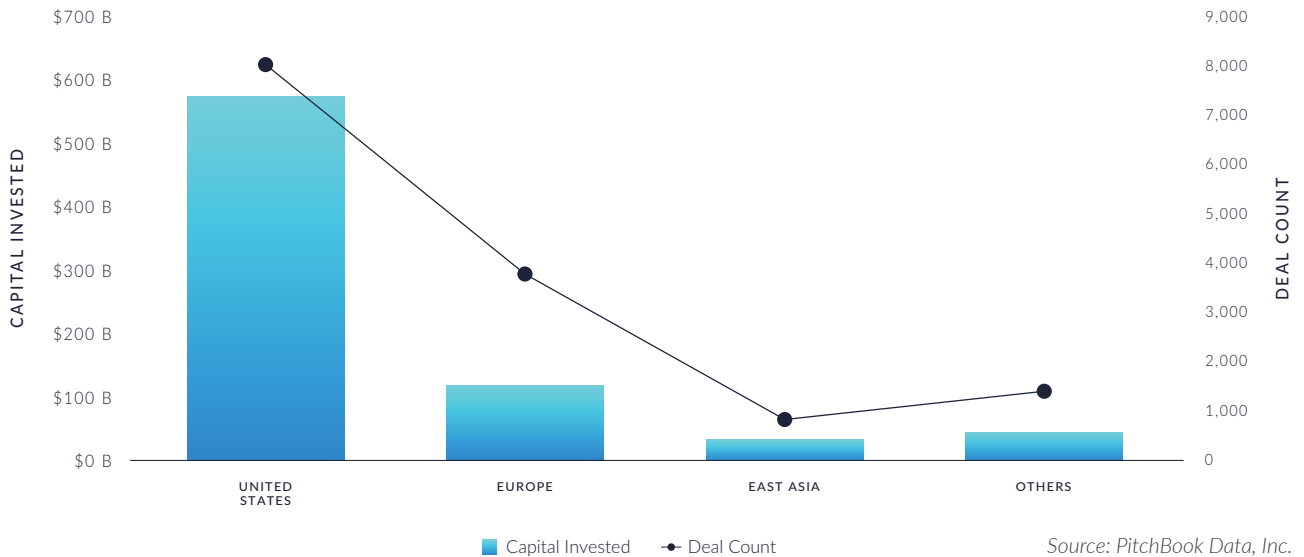


Source: PitchBook Data, Inc.

- Capital invested in M&A transactions was dominated by strategic acquirers. They contributed 75% of all capital in the sectors while conducting 69% of all transactions.
- Large strategic acquirers in the healthcare services technology sector include UnitedHealth Group, Johnson & Johnson, and Abbott.

- Private equity firms and other financial acquires conducted 31% of M&A transactions and contributed 25% of capital deployed in the sector.
- The most active financial acquirers in the sector include Shore Capital Partners, Webster Equity Partners, and Audax Private Equity.

Breakdown of Announced Healthcare Services Technology M&A Transactions by Region (Q1 2020 – Q2 2024)



- US-based healthcare services technology acquirers dominated the capital invested, with over \$575 billion across 57% of the deals in the category. This could be due to a variety of factors, including a large number of acquisition targets or the demand for services that meet the unique needs of the US healthcare system.
- European acquirers contributed 27% of all M&A transactions in the sector but less than 15% of the capital invested. This indicates an appetite for smaller transactions and significant activity in the low and middle markets.
- The rest of the world exhibits a noticeable spike in the deal count, but an exceedingly small share of the capital invested. This implies a wide distribution of smaller deals across various countries not individually listed. These smaller markets collectively engage in a considerable number of healthcare services technology transactions, but each deal tends to be small, reflecting diverse capital market activities.

DEAL SPOTLIGHT: NEXT LEVEL HOSPITALITY SERVICES



THE COMPANY

Next Level Hospitality Services is an outsourced caterer to nursing homes. The company provides a range of services to nursing homes across the US, including food and dining hall operation management, staffing, procurement, cleaning, and infection prevention.

Aramark acquired Next Level Hospitality Services for \$304.6 million on June 4, 2021, with an earnout payout of \$78 million based on future performance terms. The acquisition expands Aramark's healthcare services within the senior living sector. For more information on how transaction structures impact seller liquidity, see Jahani and Associates' article [here](#).

TRANSACTION TYPE

ACQUISITION

DEAL DATE

JUNE 4, 2021

ACQUIRER

ARAMARK

TRANSACTION SIZE

\$304.9 MILLION





Healthcare services technology includes a wide range of sectors including but not limited to healthcare consulting, medical transcription, health data analytics, pharmaceutical logistics, medical billing, insurance processing, health information technology, administrative support, supply chain management, and facilities maintenance.

Founders and shareholders of healthcare services technology companies should be mindful of exit opportunities. Median transaction size has increased steadily in recent quarters and EBITDA multiple range of between 7x and 15x. The most active acquirers in the sector are strategic acquirers who contribute the majority of capital and deal flow and are mostly based in the US and Europe.