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## Monthly Healthcare M&A Insights – Keys to Value Maximization

### Commentary:

- Founders and owners of Healthcare companies continue to see first-hand how strong the Healthcare M&A market has been over recent years simply by the number of inbound calls they are getting each day from interested strategic and private equity buyers.
- Valuation multiples continue to hold strong for the right companies across numerous healthcare sectors. However, oftentimes we see too many business owners leaving money on the table simply because they were not adequately prepared when selling their company.
- To avoid this common occurrence, we recommend the following steps when pursuing an outright sale or capital raise:

#### 1. **Get Your Financial House in Order**

Companies with detailed and accurate financial statements always fare better than those with poorly compiled financials. Buyers use poorly-prepared financials to their advantage when negotiating valuation. Sellers should strongly consider using a reputable accounting firm to convert from cash-based to accrual-based statements, and invest in a Quality of Earnings Review ahead of a formal launch to the market.

#### 2. **Metrics, Metrics, Metrics...**

Alongside detailed financial statements, sellers should be prepared to provide detailed operational metrics to buyers. This includes accurate billing and reimbursement history, changes in reimbursement rates over time across service lines, as well as any quality/outcome metrics appropriate for the practice going back several years. Healthcare companies with more detailed and accurate metrics are typically cleaner for buyers to analyze and ultimately sell for higher valuation multiples.

#### 3. **Bench Strength**

Many times private equity buyers will use perceived gaps in the management team as rationale to reduce the price they are prepared to offer to a seller. Consider a company being sold for 10x earnings that needs to hire a key team member for \$200k annual salary. Many buyers will use that as justification to reduce the valuation by \$2M. Demonstrating that the right team is currently in place will help sellers avoid this situation.

#### 4. **Run a Process**

This will sound self-serving coming from us. But it is true. Running a formal sale process will almost always yield a better valuation for the seller. Even if you have only one chosen buyer in mind (as opposed to marketing the business to multiple potential buyers), the fact that you are working with a skilled M&A advisor and there is a perceived threat of competition, the buyer will likely end up agreeing to pay a higher valuation than they would have otherwise.



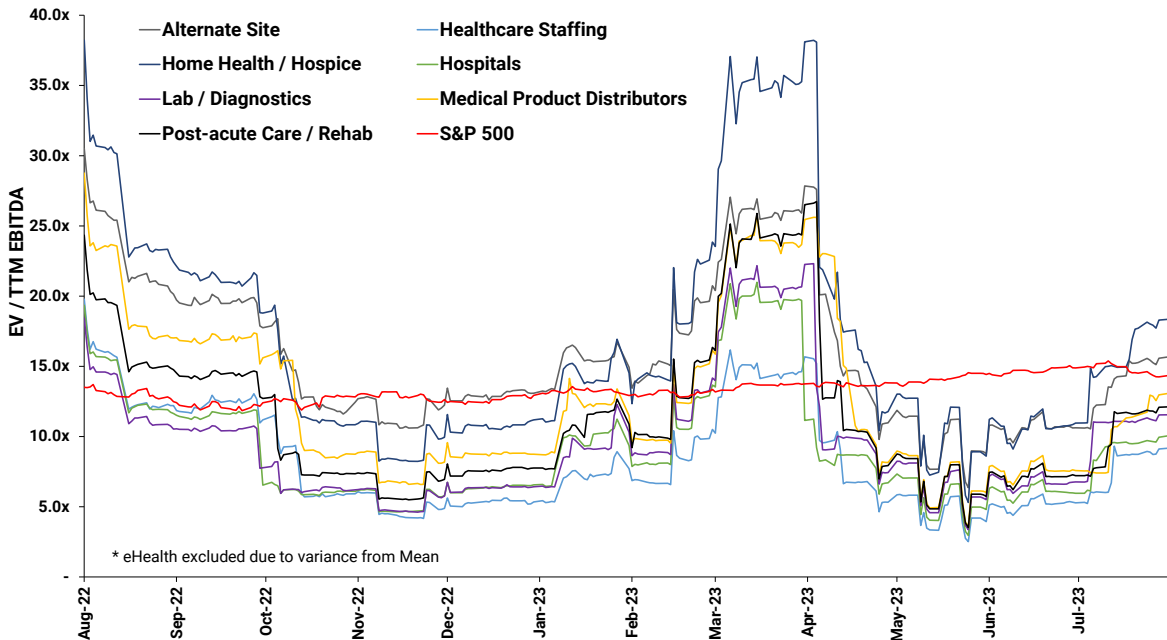
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## Monthly Healthcare M&A Insights – Current Valuation Trends

### Healthcare Services Monthly Public Valuation Summary

Sector	% of 52 Week High	Since Previous Month	% Change YTD	% Change YoY	EV/EBITDA		EBITDA Margin
					2023E	2024E	2023E
S&P 500	95.9%	-2.3%	19.5%	6.5%	-	-	-
Alternate site	74.2%	-	40.9%	(0.5%)	13.6x	12.4x	13.8%
eHealth	68.9%	(8.7%)	46.5%	(13.9%)	22.6x	20.3x	18.8%
Healthcare Staffing	69.4%	(8.1%)	34.9%	(3.3%)	8.2x	8.6x	12.2%
Home Health / Hospice	76.0%	0.6%	57.8%	(13.7%)	14.2x	13.2x	12.7%
Hospitals	73.9%	(15.5%)	50.0%	37.1%	8.9x	8.4x	17.3%
Labs / Diagnostics	83.6%	(2.0%)	5.6%	(5.5%)	10.9x	10.5x	18.6%
Medical Product Distributors	83.1%	(6.1%)	26.8%	7.4%	10.9x	10.4x	1.7%
Post-acute Care	92.2%	1.9%	21.2%	13.4%	12.0x	11.0x	14.4%

### Healthcare Services Historical EV/TTM EBITDA Multiples



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