



Mergers & Acquisitions | Capital Raise | Strategic Advisory

PACS Group (NYSE: PACS) IPO a Sign of Strong Investor Interest in SNFs

Commentary:

- Historically, Skilled Nursing Facilities (“SNFs”) have faced a challenging operating environment that was only accentuated during the pandemic, which hastened the closing of several entities as patients selected alternate sites of care and the great resignation hit facilities hard.
- However, we have seen a steady uptick in occupancy that is reaching pre-pandemic levels. And while operating challenges such as rising interest rates, inflation, and labor remain, there are those that have survived and utilized these challenges that as an opportunity to streamline efficiencies and are now reaping the benefits as occupancy rates rise and they maintain a handle on their cost structures.
- A review of the publicly traded proxy for the sector, Ensign Group (NASDAQ: ENSG), has experienced solid YOY stock performance of 18.7%. Additionally, occupancy has increased from 77.8% to 79.9% over the same quarter last year. Not surprisingly, the financial performance has followed with EBITDAR increasing 15.0% from \$536.6M to \$616.9M. Potentially an even more notable event in the space is the recently priced and closed PACS Group IPO. The IPO priced at \$21.00, the mid-point of the filing range, and has subsequently traded up 16.9% post-closing. Furthermore, when reviewing valuation metrics of PACS, it appears the Company’s valuation metrics are close in-line with Ensign Group.
- SNF Mergers & Acquisitions (“M&A”) activity has remained relatively steady over the past three years as the space continues to be a highly fragmented market with significant consolidation runway consisting of “mom and pop” operators. We believe valuations are also quite attractive relative to other provider-based services, representing a potential value alternative to other sectors.
- While the industry still faces a challenging operating environment (including new staffing minimums), the long-term positive macro trends of an aging population, increasing Medicare spending, limited access to care alternatives, and fading Pandemic related safety concerns are hard to disregard. As such, we believe there are exceptional opportunities for both operators and investors that know the space and can navigate accordingly.

Recent Skilled Nursing Transaction Activity



acquired by



April 2024



acquired by



February 2024



acquired by



January 2024



acquired by



December 2023

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With 300+ Completed Transactions In The Firm's 24-Year History, Hexagon Capital Alliance's Investment Bankers Know The Appropriate Industry-Specific Strategic Buyers, Private Equity Groups, And Family Offices To Approach On Behalf Of Our Clients.

Select Healthcare Services Transactions

 <p>has been acquired by</p> 	 <p>has acquired</p>  <p>The Worldwide Home Care division of</p> 	 <p>has been acquired by</p> <p>Undisclosed Buyer</p>	 <p>has been acquired by</p> 	 <p>has been acquired by</p>  <p>a portfolio company of</p> 
 <p>a portfolio company of</p>  <p>has been acquired by</p> 	 <p>has been acquired by</p>  <p>a portfolio company of</p> 	 <p>has been acquired by</p>  <p>a portfolio company of</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>has been acquired by</p> 	 <p>formed an affiliation with</p> 	 <p>has been acquired by</p>  <p>St. Joseph Heritage Healthcare</p>	 <p>has been acquired by</p> 	<p>We provided investment banking services for</p> 
 <p>formed an affiliation with</p> 	 <p>has been acquired by</p> 	 <p>has been recapitalized by</p> 	 <p>has acquired</p> 	<p>BioVex, Inc.</p> <p>has been acquired by</p> 
<p>Home Pharmacy of California</p> <p>has been acquired by</p> 	 <p>has been acquired by</p> 	<p>Community Psychiatry</p> <p>has been acquired by</p> 	 <p>formed an affiliation with</p> 	 <p>has been acquired by</p> 

* Represents a transaction executed by principals of Hexagon Capital Alliance at a prior firm