



# **Provider Services M&A and Valuation Update**

## **Healthcare Industry**

### **Q2 2025**

**FOUNDERS**  
ADVISORS

# Introduction

## From Thomas and Michael



Thomas Dixon



Michael White

Greetings,

On behalf of the Founders healthcare team, we present our Q2 2025 *Provider Services M&A and Valuations* report.

The data read in this report reinforces the assertions made in our Q1 report that what once seemed like a rebound year for provider services dealmaking in the lower middle market is instead shaping up to be a year of malaise.

A business cycle in the late-stages of expansion often comes with uncertainty. Add to that equation policy uncertainty from tariffs, DOGE, One Big Beautiful Bill and lawfare, and its no surprise that many institutional investors have adopted a risk-off posture for tuck-in provider services acquisitions.

Tough markets, however, are not void of opportunity. Exit activity of scaled assets is ramping up, and high-quality assets in select sectors are still enjoying optionality and reasonable valuations for exit (as tuck-ins). We'll sign off with the same language we used in our Q1 report: don't assume now is not the time to exit – reach out and we can collectively think through how best to navigate this volatile market

Until next quarter,

Thomas Dixon  
Managing Director

Michael White  
Managing Director

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## Considered / Included Public Companies

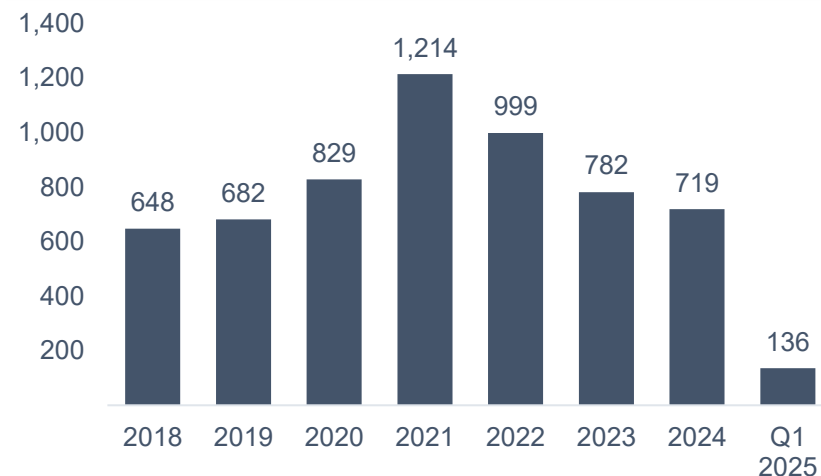


# I. M&A Activity: Volume

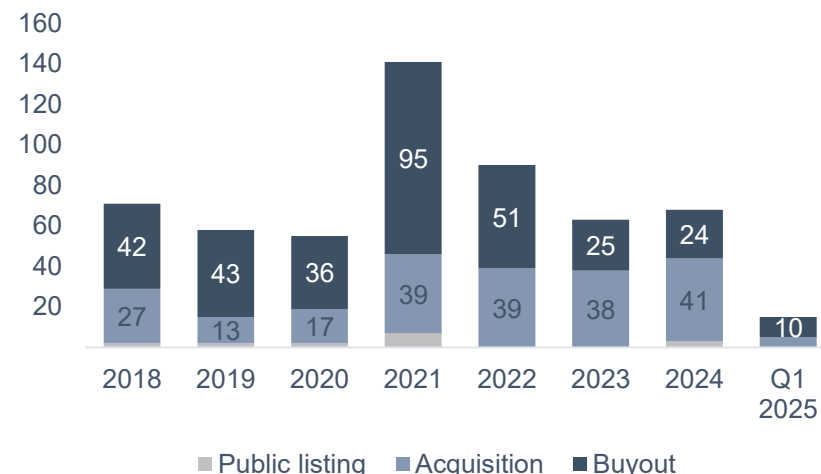
## Commentary

- The provider services M&A market is off to a sluggish start in 2025, 25% short of 2024 on an annualized basis
  - Policy uncertainty + uncertainty from late-stage expansion phase of business cycle + tough operating environment = risk-off posture for acquisitions
  - Heightened regulatory scrutiny on PE in provider healthcare → rotation into HIT and life sciences
- Exit activity, however, over the past three quarters has “marked the highest level of activity since 2022”, per *PitchBook*, reflecting
  - “Extended hold times forcing sellers’ hands on valuations” (*PitchBook*)
  - Record levels of dry powder and pressure to deploy or return capital, causing buyers to seek out opportunities to write big checks (as compared to tuck-ins)
- If certainty creeps into the macro environment, lower middle market provider services M&A *could* stabilize/reverse course, given the sector’s:
  - Minimal exposure to global trade
  - Inelastic demand curve
  - Secular tailwinds (aging population, less healthy population, Dx and Rx technological innovation)
  - Limited presence in public markets (institutional assets are largely privately held)

## Provider Services Deal Count by Year



## Provider Services Private Equity Exit Count\*



# I. M&A Activity: Volume by Specialty

Q1 2025 data implies bright spots for dealmaking in Behavioral Health, Musculoskeletal and Infusion

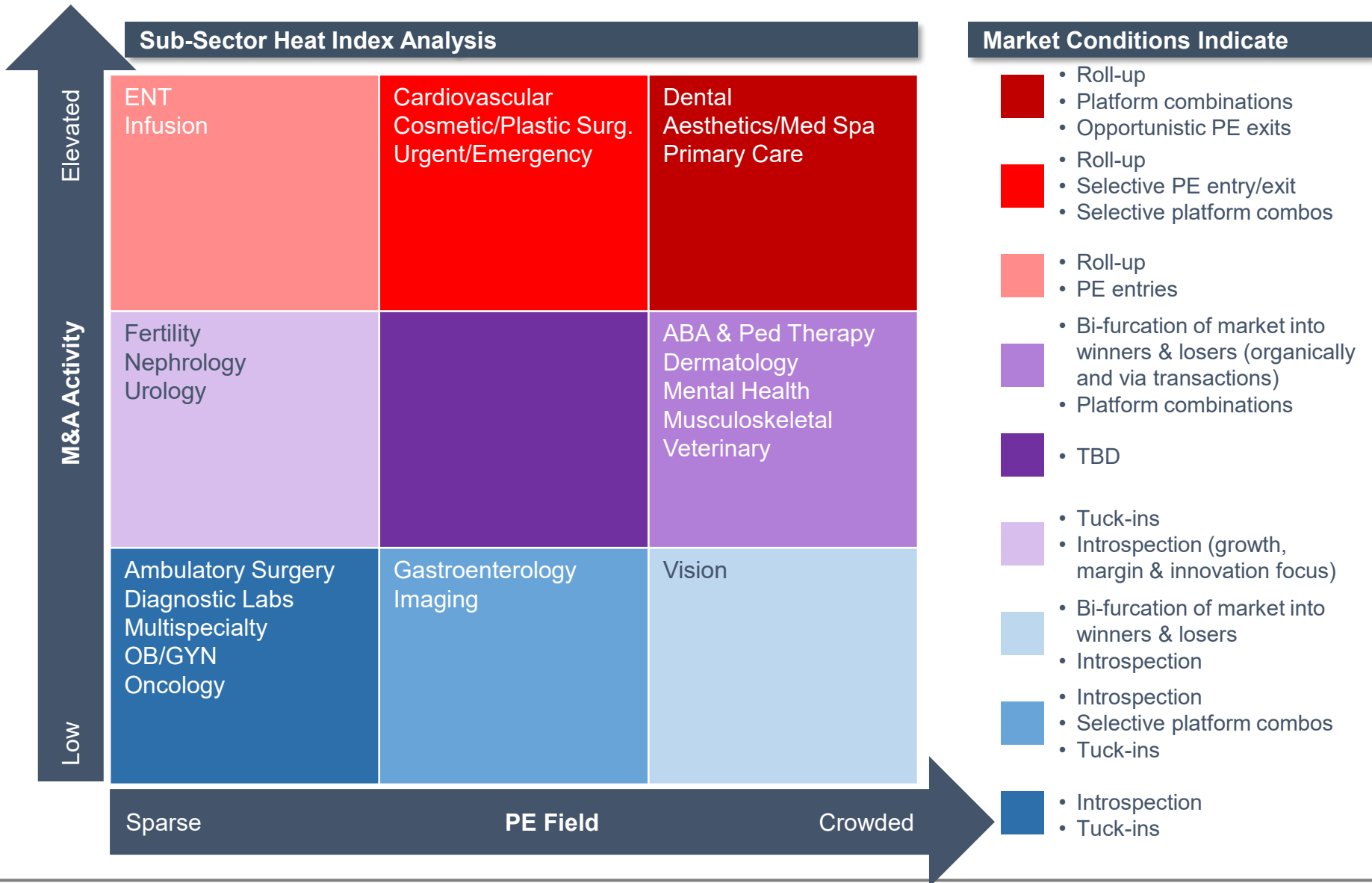
Specialty	2018	2019	2020	2021	2022	2023	2024	Q1 2025	CAGR <sup>1</sup>
Applied Behavior Analysis	19	27	29	34	32	10	15	6	-3.9%
Ambulatory Surgical Centers	3	5	6	6	7	6	3	-	0.0%
Cardiovascular	1	1	2	4	12	18	12	2	51.3%
Dental	72	68	76	147	148	151	130	12	10.3%
Dermatology	64	45	34	44	61	64	45	4	-5.7%
Diagnostic Laboratories	5	9	2	8	4	5	1	-	-23.5%
Ear, Nose & Throat	10	6	9	19	11	17	14	2	5.8%
Fertility	7	6	7	21	13	9	7	-	0.0%
Gastroenterology	6	24	17	33	23	11	5	-	-3.0%
Developmental Disabilities Care	6	14	6	13	3	11	4	1	-6.5%
Imaging	5	8	9	18	8	10	7	1	5.8%
Infusion	3	4	7	6	11	4	11	2	24.2%
Mental Health	45	25	52	60	48	25	33	5	-5.0%
Multispecialty Clinics & Networks	-	3	3	4	4	5	3	3	NM
Musculoskeletal	56	47	56	95	89	44	29	8	-10.4%
Obstetrics & Gynecology	2	3	14	9	9	9	6	2	20.1%
Oncology	5	4	3	4	4	3	2	1	-14.2%
Primary Care	16	16	17	20	14	25	21	1	4.6%
Urgent & Emergency Care	14	7	8	15	9	9	14	1	0.0%
Urology & Nephrology	6	2	8	12	17	13	7	1	2.6%
Veterinary	62	98	179	228	172	60	76	-	3.5%
Vision	50	77	92	124	67	34	20	4	-14.2%
<b>Total</b>	<b>457</b>	<b>499</b>	<b>636</b>	<b>924</b>	<b>766</b>	<b>543</b>	<b>465</b>	<b>56</b>	<b>0.3%</b>

# I. M&A Activity: PE Platforms by Specialty

6 sub-sectors account for about 60% of the active PE platforms in provider services – Dental, Mental Health, Musculoskeletal, Dermatology, Veterinary and Vision



# I. M&A Activity: Specialty Heat Map (2024 Scoring)



# I. M&A Activity: Recent Notable Transactions

Practice	Buyer	Announced/Close Date	# of Physicians	Locations	Deal Size
 SEASIDE HEALTHCARE	 SUN Behavioral Health  THE GRAPH GROUP	6/11/2025	5	2	NM
 ROBINSON ORTHODONTICS	 SALT DENTAL PARTNERS  LATTICEWORK CAPITAL MANAGEMENT	5/9/2025	3	1	NM
 Skin Cancer Specialists DERMATOLOGY	 dermcare MANAGEMENT  HILDRED CAPITAL PARTNERS, LLC	4/23/2025	5	4	NM
 U.S. UROLOGY PARTNERS	 CD PRIVATE EQUITY FUND SERIES	4/7/2025	150+	60+	NM
 FLAGSHIP ORAL, FACIAL AND DENTAL IMPLANT SURGERY	 ORAL SURGERY PARTNERS  SHERIDAN CAPITAL PARTNERS	3/28/2025	4	3	NM
 REJUVENX	 ACCIDENT CARE ALLIANCE	3/11/2025	NM	14	NM
 SPA MEDICCA	 SEVEN HILLS CAPITAL	2/14/2025	0	2	NM
 VILLAGE Heart & VEIN CENTER	 CARDIOVASCULAR ASSOCIATES OF AMERICA	1/31/2025	5	2	NM

## II. Buyer Landscape

### Example Multi-Sector PE Funds



THE BEEKMAN GROUP

Cressey &  
Company

abry partners



FLEXPOINT FORD



- + Institutional knowledge across sectors to help scale and professionalize businesses
- + Upside opportunity at the next transaction, following 5-7 year hold period
- + Ability to apply learnings from other industries
- + Oftentimes, larger fund-size/more access to capital, compared to single sector funds
- Variable experience and interest in healthcare services

### Example Healthcare-Focused PE Funds



- + Proven track record in healthcare, e.g., leading payor negotiations, recruiting providers and scaling practices via organic and inorganic growth initiatives
- + Upside opportunity at the next transaction, following 5-7 year hold period
- + Large networks in the healthcare arena, leading to abilities to help source executive team/board members, clients/tuck-in acquisition targets, channel partners, etc.
- Traditionally smaller fund sizes/less access to capital, compared to multi-sector PE funds

### Example Strategic Buyers



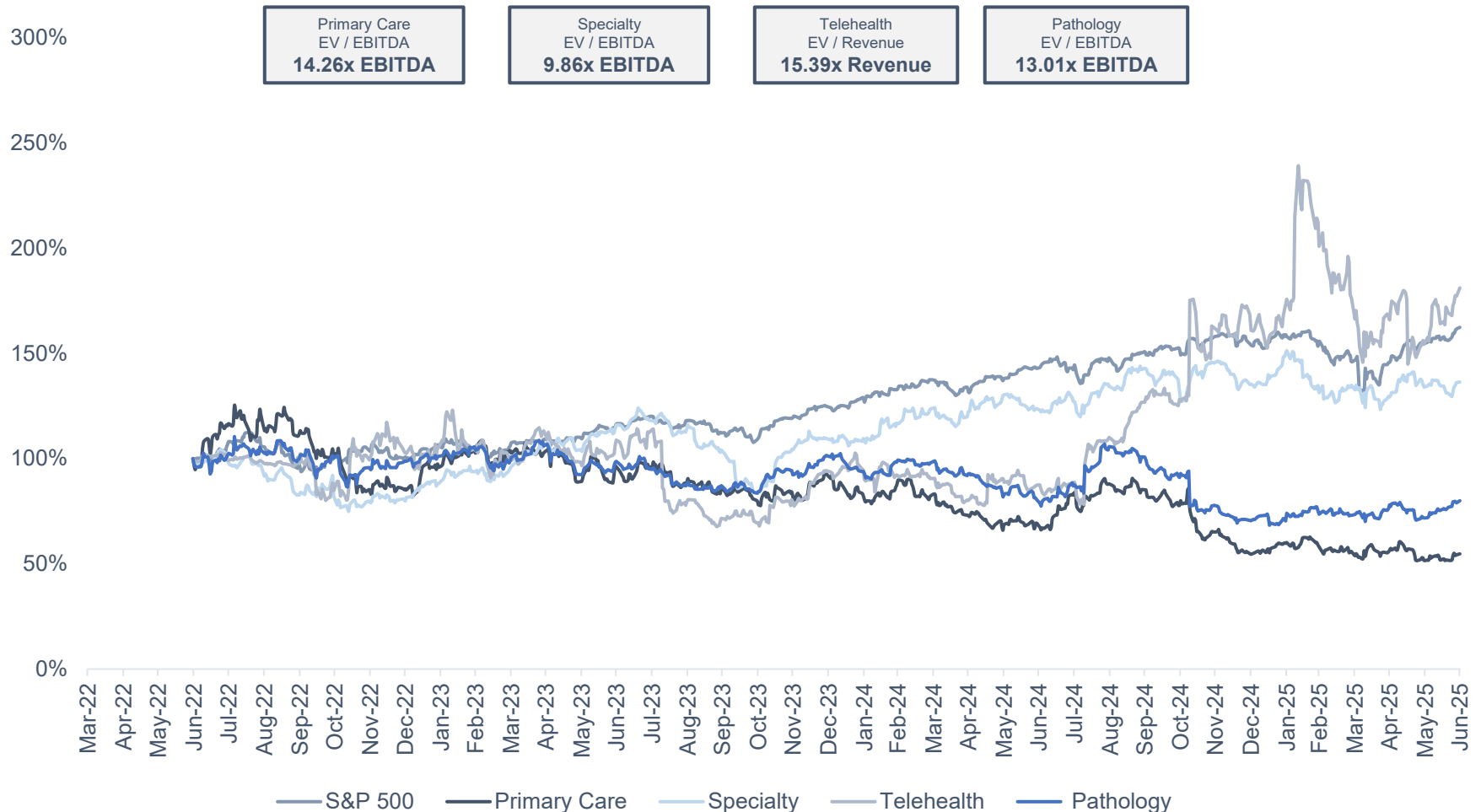
- + Aggressive valuations when there is a strategic fit
- + Potential for all-cash transactions without roll-over equity
- + Ability to rapidly deliver synergy and create operating leverage
- Limited or no opportunity for a “second-bite”
- Less autonomy and control given to sellers, post-close



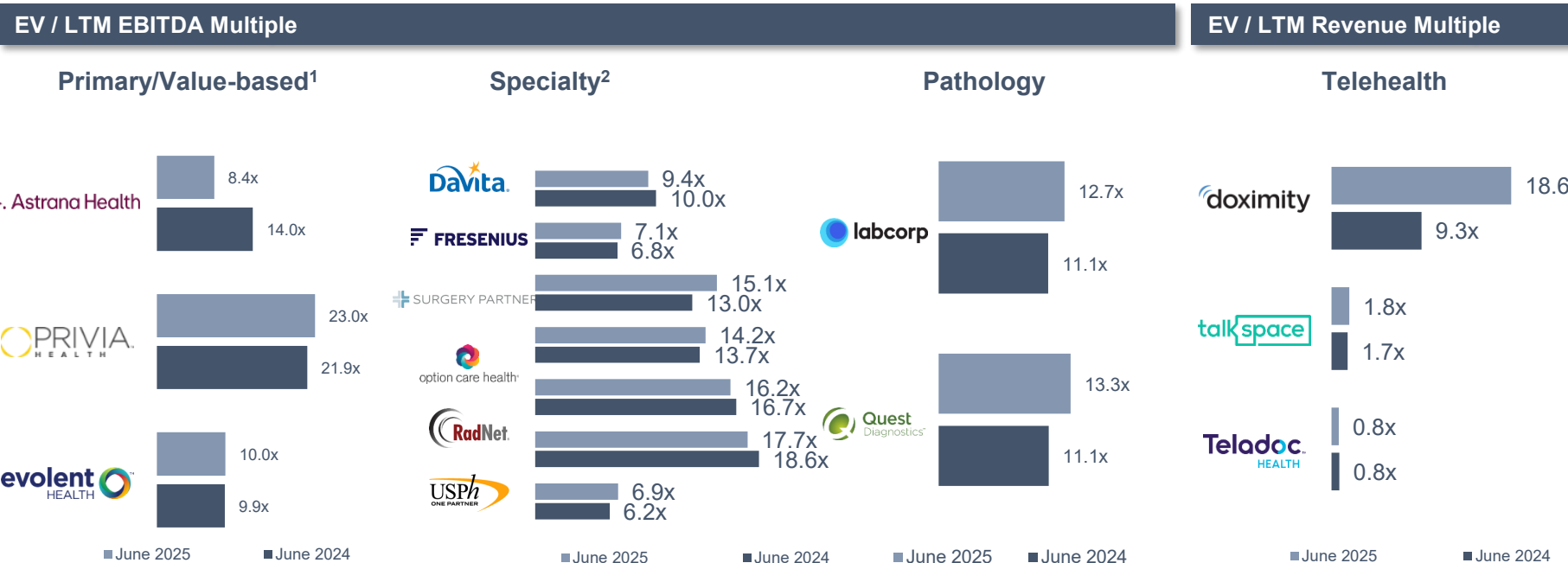
# III. Valuation Insights: Public Market Performance

The S&P 500 had a strong Q2 2025, up 16% from the end of Q1. Provider services sub-sectors rode the macro wave and saw a slight uptick when compared to the S&P in Q2 2025

## Provider Services Public Company Market Cap vs. S&P 500



# III. Valuation Insights: Public & Private Multiples

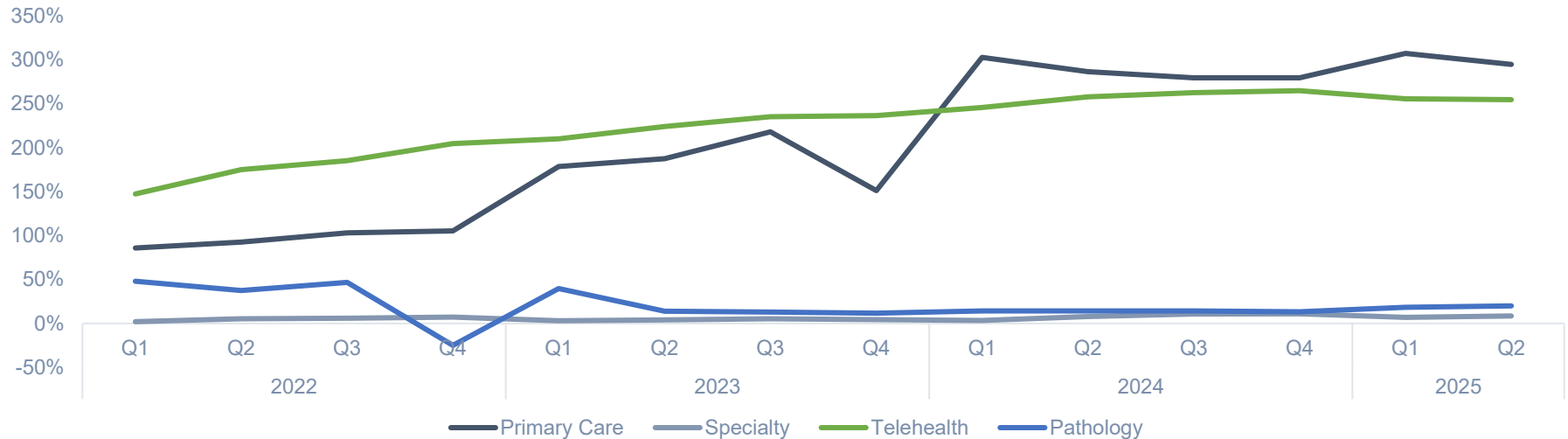


## Private Markets Commentary

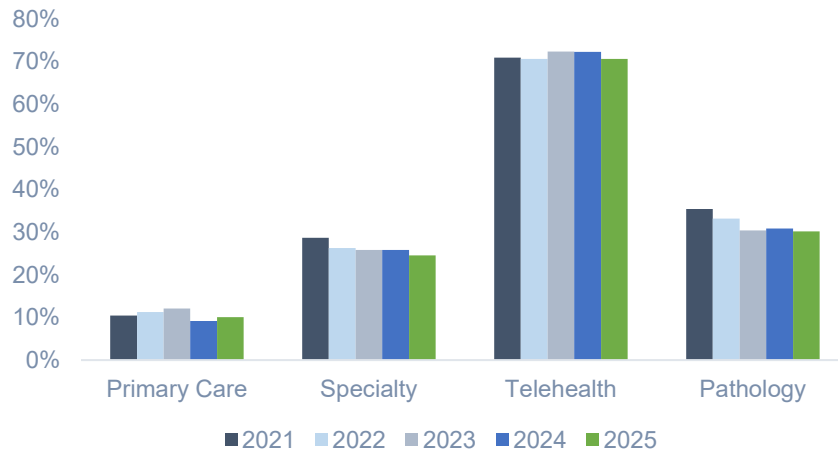
- In a soft market, Founders typically sees a flight to quality for tuck-in acquisitions. The current market is no exception
  - Behavioral, infusion, musculoskeletal and ENT – a sufficient supply of platforms and/or funds with a thesis equate to optionality and reasonable valuations at exit
  - Dermatology, veterinary medicine, dental, aesthetics/cosmetics and vision – crowded fields of platforms ensures the presence of market makers (well capitalized players, with a willingness to continue to invest in growth), but the bar (in-terms of asset quality) for tuck-ins is being raised
  - Primary care and urgent care – sellers' opportunities are constrained by a tough operating environment; profitable assets are both rare and sellable

# IV. Operational Benchmarks

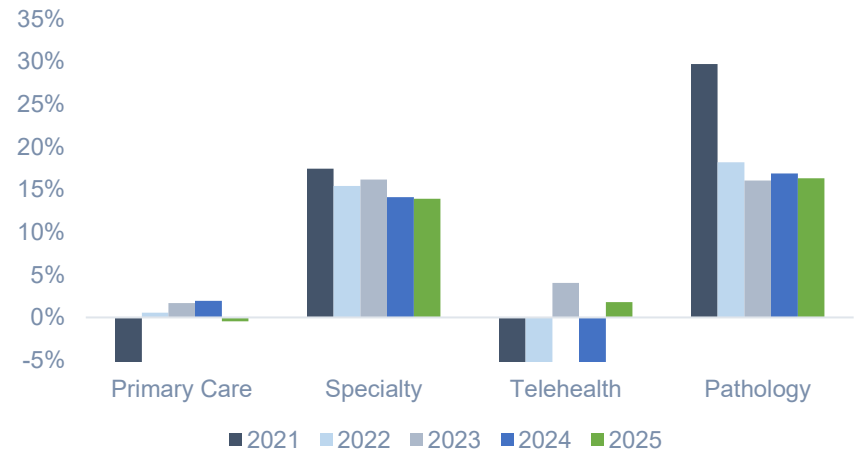
## Public Company Revenue Trend by Sector<sup>1</sup>





## Public Gross Margin Trend (Q2 YoY Comparison)





## Public EBITDA Margin Trend (Q2 YoY Comparison)



# V. Voices from the Field: Earnings Call Themes (1/2)

Theme	Drivers	Voices from the Field
 <p><b>Durable Business Models Account for the Government's Role as a Payor</b></p>	<ul style="list-style-type: none"> <li>• The One Big Beautiful Bill (Medicaid)</li> <li>• Ongoing Medicare Advantage volatility</li> <li>• Aging population (substitution of Commercial patients with Medicare patients)</li> <li>• Widening spread between commercial and governmental reimbursement</li> </ul>	<p><i>"We are a national provider for Medicare, including Medicare Advantage, and continue to benefit from the federal investment in senior mental health. Since we're not in Medicaid, we are insulated from potential changes to those programs."</i></p> <p>- DR. JON COHEN, CEO, TALKSPACE</p> <p><i>"... we've seen lots of movement [across payors]. Under those scenarios, we continue to do well. [We would] worry ... if there was a significant number of uninsured people that had to pay out of their pocket. Now, I don't think that's likely. ... As long as people have insurance coverage, I think that in those scenarios, we do really well."</i></p> <p>- ADAM SCHECHTER, CEO, LABCORP</p> <p><i>"Regarding potential legislative changes to Medicaid and exchange-based reimbursement programs, I would like to remind listeners that our exposure to these payer groups is less than 5% of our revenue, and we do not consider prospective changes ... as a risk to our short or long-term growth prospects."</i></p> <p>- ERIC EVANS, CEO, SURGERY PARTNERS</p>
 <p><b>In Times of Uncertainty, it's Time for Contingency Planning</b></p>	<ul style="list-style-type: none"> <li>• Late-stage expansion phase of business cycle</li> <li>• Mixed signals sent by economic indicators</li> <li>• Policy uncertainty (tariffs, DOGE, lawfare)</li> </ul>	<p><i>"There's definitely talk about whether and if we dip into a recession. The thing that we would point to is back in the 2008, 2009 time-frame, where it was very difficult. ... And we had ... earnings growth. ... I would rather us not face a recession. ... But we have a playbook. We've been there before, and it's been dusted off."</i></p> <p>- CHRISTOPHER READING, CEO, US PHYSICAL THERAPY</p>

# V. Voices from the Field: Earnings Call Themes (2/2)

Theme	Drivers	Voices from the Field
 <p><b>In Times of Uncertainty, it's also Time to Build the Balance Sheet</b></p>	<ul style="list-style-type: none"> <li>• Late-stage expansion phase of business cycle</li> <li>• Mixed signals sent by economic indicators</li> <li>• Policy uncertainty</li> <li>• Access to capital = cushion to “weather the storm”; ability to invest opportunistically</li> </ul>	<p><i>“from a balance sheet standpoint, we continue to have . . . financial flexibility, with nearly \$1.2 billion in cash . . . on the balance sheet . . . we believe our . . . position provides us with optionality in the future.”</i></p> <p>- MALA MURTHY, CFO, TELADOC HEALTH</p> <p><i>“Our approach is focused on 3 priorities: first, investing in the business . . . second, delivering attractive shareholder returns; and third, further strengthening the balance sheet.”</i></p> <p>- SARA HENNICKEN, CFO, FRESINIUS</p>
 <p><b>A Period of Rapid Transformation Mandates Acquisition of New Capabilities</b></p>	<ul style="list-style-type: none"> <li>• Meteoric emergence and evolution of AI</li> <li>• Increasing challenges posed by operating environment → mandate for efficiency and effectiveness</li> <li>• Investors' requirements for ROI from scaling</li> </ul>	<p><i>“we've made several exciting additions to our leadership team this quarter. Georgie Sam has joined us as Chief Data and Analytics Officer to lead our enterprise-wide data, analytics and AI strategy.”</i></p> <p>- BRANDON SIM, CEO, ASTRANA HEALTH</p> <p><i>“I would call out their execution around their advanced practitioner model [as one area] in which there are plenty of learnings that we can . . . apply across our platform . . . they moved ahead on some of the technology implementations of next generation of the core pharmacy system. And, so, it gives us an opportunity to learn fast . . .”</i> (re. a recent acquisition)</p> <p>- JOHN RADEMACHER, CEO, OPTION CARE HEALTH</p> <p><i>“The one thing we have, obviously, visibility to – across the 125 partnerships is – some partners do some things really, really well. . . .</i></p> <p><i>We brought all these people in with their various successful programs and presented for 1.5 days in the Houston market. . . . we had . . . our top . . . partners there to expose them to all these other things that we're doing across the country . . .”</i></p> <p>- ERIC WILLIAMS, COO, US PHYSICAL THERAPY</p>

# V. Voices from the Field: *Founders Forum*

From the *Founders Forum* webinar, “Institutional Insights: A Healthcare PE Panel”



**MATTHEW BLEVINS,**  
MANAGING PARTNER  
CLEARVIEW CAPITAL

## On the outlook for healthcare institutional investing

*“We’re . . . bullish on healthcare . . . coming into 2025, and probably for the next 3 to 5 years. . . .*

*bid ask spreads . . . took a really long time to work its way through the system, and . . . we’re finally getting a little bit closer to equilibrium, while, at the same time, despite the fact that you still have labor challenges . . . it’s not as acute as it was a couple of years ago . . . The risk reward has come back into balance.”*



**STEVE NEUMANN,**  
MANAGING PARTNER  
LATTICEWORK

## On the value proposition that PE offers to physicians

*“healthcare [is] getting more complex . . . It’s harder for physicians on a standalone basis to operate.*

*Compliance and regulations are higher. Billing and collections are more difficult. Costs are increasing, with reimbursement not increasing. . . . private practices are just getting squished. . . . So, there’s a need to get . . . technology, . . . revenue cycle enhancements [and make practices] more efficient . . . [so physicians] can . . . focus on what they went to school to do . . .”*



**PETER ERICKSON,**  
PARTNER  
AVESI PARTNERS

## On where his fund is developing investment theses

*“. . . behavioral health. And the reason [I] say it is because . . . its dynamics are changing so much. . . .*

*I put the shifting delivery of [sites of] care as a big one. . . . There’s a lot going on right now in that world. . . .*

*And there’s a lot of change of behavior as you try to create more . . . preventative care to stem the tide . . . So, those are a few things that [are] top of mind . . .”*

Access the full recording [HERE](#)

## Save the Date – Upcoming Webinars

- August: “Building an Investment-Grade Business”
  - Author Zane Tarance
  - Aug. 21, 2025 at 11:30 AM CDT
  - [REGISTER HERE](#)
- September: “Voices from the Field – AI in Healthcare/Life Sciences”
  - Executive Panel Discussion
  - Sep. 26, 2025 at 11:30 AM CDT
  - [REGISTER HERE](#)

# VI. Founders Introduction: Firm Overview

*Founders is a mergers, acquisitions, and strategic advisory services firm that has served middle-market companies for two decades. When we were founded, we focused on serving companies in the southeastern U.S. but have transitioned to a national footprint through our five industry groups. Today, Founders employs over 50 professionals and has offices in Birmingham, AL (headquarters), Dallas, TX, and Nashville, TN.*

## OUR WHEELHOUSE

The majority of our clients are founder-owned and operated companies across five industry groups that collaborate together. We listen to our clients and take the time to truly understand each client's unique situation and desired outcomes. Founders has been a trusted advisor to hundreds of middle market business owners, supporting their growth through tailored financing structures and ownership transition transactions.

## CAPABILITIES & FIRM HIGHLIGHTS



**Sell-Side  
Advisory**



**Capital  
Raises**



**Targeted  
Buyside**



**Spin-Offs /  
Divestitures**



**Industry  
Expertise**

## INDUSTRIES

### Healthcare



### Technology



### Consumer



### Industrials



### Business Services



## FIRM VALUES

### ORDER

Maintain focus on doing the right things at the right time

### SERVICE

Go the extra mile for our clients, co-workers & community

### GROWTH

Reflect, evaluate, and plan for improvement

### EXCELLENCE

All we do, we do well

### HEALTH

Be and stay healthy, personally, and as a team

### COMMUNITY

Be team-focused; we're better together



# VI. Founders Introduction: Dedicated Healthcare Team

## Founders Healthcare Team



**Michael White**  
*Managing Director*

- 8 years leading Founders' healthcare practice
- Prior Wall Street and bulge bracket investment banking experience
- Former CFO, Carbylan Therapeutics
- University of Chicago MBA



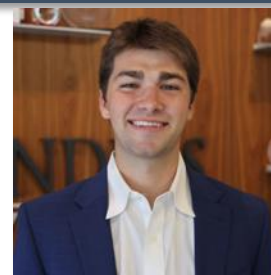
**Thomas Dixon**  
*Managing Director*

- Development Officer experience at 4 PE-backed healthcare platforms
- Former C-Suite executive at Ideal Image MedSpa
- Former principal at top-5 healthcare consulting firm
- University of Minnesota MBA



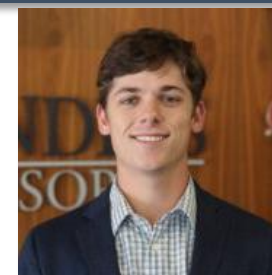
**Courtney Jones**  
*Associate*

- Past investment banking experience at Harris Williams
- Previous Associate at New Capital Partners
- BS in Accounting from Washington and Lee University



**Wells Watts**  
*Analyst*

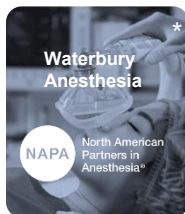
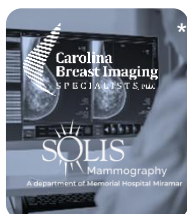
- 1 year in investment banking at Founders
- Auburn University BS in Finance



**James Nichols**  
*Analyst*

- Member of Founders' most recent analyst class
- University of Georgia BS in Finance

## Select Founders Healthcare Transactions





# FOUNDERS

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