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Pediatric Home Healthcare: Increasing Demand For Essential Services

U.S. Pediatric Home Healthcare companies continue to produce strong operating results during this challenging time. Healthy financial & strategic buyer interest and secular trends driven by COVID-19 and increasing Medicaid reimbursement rates & coverage will enable established firms to realize attractive valuation multiples.

Industry Highlights

Continued Industry Growth

The Pediatric Home Healthcare industry is forecasted to grow at a 10.4% CAGR through 2026, reaching a \$56 billion total valuation.¹ Medicaid spending is forecasted to grow 5.7% over the same period.

Increasing Medicaid Reimbursement

States are anticipated to continue increasing Medicaid reimbursement rates, (especially given strong public support for increased coverage) led by Texas, Arizona, Colorado, Florida, and Oklahoma.²

Demand for Trained Staff

Firms with strong recruiting programs and high employee retention will be best-positioned to grow as demand for services continues to outstrip the available national supply of trained nurses.

COVID-19 Impact

COVID-19 has increased general public awareness of the feasibility of remote caregiving activities and decreased public interaction.

State legislatures are working to enact healthcare legislation enabling telehealth coverage and further stimulus funds to the healthcare industry.

Market leaders continue to prioritize reducing the risk of COVID-19 exposure while maintaining high quality treatment.

The Pediatric Home Healthcare M&A Environment

Presented below is a selection of recent transactions in the Pediatric Home Healthcare space. Pinecrest would be pleased to discuss more specific valuation guidance within the sector with interested parties.

#	Timing	Acquirer Type	Target Company	Acquirer
1	Feb-20	Financial	MGA Homecare	Flexpoint Ford
2	Dec-19	Financial	Centria Healthcare	Thomas H. Lee Partners
3	Apr-19	Financial	Angels of Care Pediatric Home Health	Varsity Healthcare Partners
4	Dec-18	Financial	Pediatric Home Service	InTandem Capital Partners
5	Nov-18	Financial	Amazing Care Home Health Services	3 Rivers Capital

Key Value Drivers

A diversified set of established relationships with hospitals, physicians, insurance providers, and state agencies provide companies the ability to maintain a strong core patient census.

A strong footprint in geographies with favorable Medicaid reimbursement rate and coverage profiles, along with stable state budgets, enhances post-transaction growth potential for potential buyers.

Businesses with robust in-house recruiting and training programs offer workforce stability in a vertical currently experiencing difficulties retaining trained caregivers due to reimbursement challenges.

Today's M&A activity predominantly consists of two transaction rationales:

1. Leading strategic buyers seeking to diversify into new geographic markets or service lines.
2. Financial buyers seeking a new platform business in a growing, core healthcare industry.

Sources: (1) Home Healthcare News; (2) KFF.

Pinecrest's Industry Experience

Pinecrest is pleased to have provided exclusive advisory services to MGA Homecare and continues to maintain relationships with prospective financial and strategic buyers who consistently communicate strong interest in the Pediatric Home Healthcare industry.

If you are thinking about your company's future and curious about what a potential M&A strategy could look like, we would welcome the opportunity to connect with you and provide any insight or support that would be helpful.



acquisition
of the company by

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