

2022 Year-End Sector Report: Healthcare

2022 Year-end update

The number of healthcare services M&A transactions declined by 24% in 2022 when compared to 2021's record year as investors continued evaluating COVID and its effect on the marketplace, and concerns grew about higher interest rates, rising inflation and slowing economic growth. Despite this decline, the number of transactions was far from weak when compared with the average annual performance over the last ten years. While concerns loom over economic headwinds (e.g., labor shortages, supply chain disruptions, rising interest rates) and potential recessionary fears, we expect M&A activity in the healthcare services sector to continue as many markets remain highly fragmented and both strategics and sponsors will continue utilizing M&A to add new locations / geographies, expand service lines and leverage synergies. Public acquiror valuations still remain strong and private equity's appetite for the healthcare services sector has not let up. Additionally, strategic partners, investors and acquirors are sitting on large amounts of dry powder and have indicated both the capability and willingness to structure deals that could better fit in today's economic environment. All of these factors suggest the healthcare services M&A market should remain strong for the remainder of the year.

One of the predominant themes we are seeing in healthcare services is the push to drive care to lower cost settings (emergency department → urgent care → retail walk-in clinic → telehealth) and the consumerization of healthcare delivery. Firms as diverse as CVS (MinuteClinic), Amazon (One Medical), Walmart and Walgreens are all trying to merge medical treatment with retail philosophies like convenience, value and efficient use of time. We touch on part of this initiative in this sector spotlight on the urgent care space.

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