

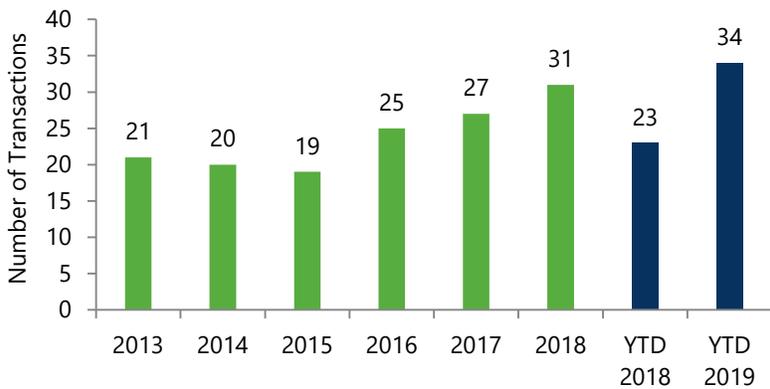


INDUSTRY OVERVIEW

- ▶ The age demographic shift continues to fuel demand for staffing solutions in the Healthcare industry. The rapidly aging U.S. population not only boosts healthcare utilization but reduces the supply of healthcare professionals as clinicians retire as well as choose to work fewer hours as they age. By 2035, there will be 78 million U.S. citizens 65 years or older, making it the first time in U.S. history that senior citizens will outnumber children, according to the U.S. Census Bureau.¹ Approximately 50% of nurses and physicians are 50+ and 38% of active physicians are 56 or older, according to AMN Healthcare.² The Association of American Medical Colleges forecasts that approximately 40% of the physician workforce will prepare for retirement in the next decade, leading to an increased need for outsourced providers of medical professionals.³
- ▶ Operators in the Healthcare Staffing space are expected to continue to utilize mergers and acquisitions (M&A) to expand geographic reach, service offerings, and hospital relationships. According to HealthLeaders, 73% of healthcare executives plan to explore M&A in the next 18 months.⁴

TRANSACTION VOLUME

- ▶ Deal activity in the Healthcare Staffing industry has remained robust with 34 transactions announced or completed year-to-date (YTD), surpassing the 2018 full year total. Strategic players continue to lead consolidation efforts (61.8%), while financial suitors (both platform and add-on acquisitions) accounted for 35.3%.



Year-to-date (YTD) ended July 31, 2019
 Source: Capital IQ, FactSet, PitchBook, and Capstone Headwaters Research

PHYSICIAN SHORTAGE

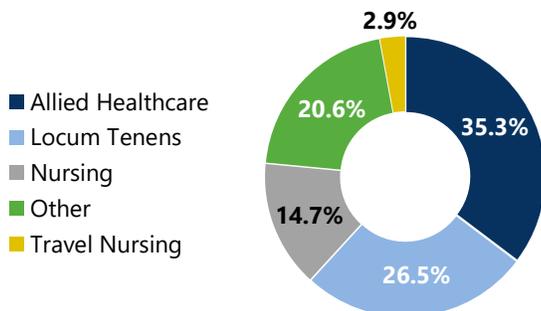
- ▶ Physician demand in the U.S. continues to outpace supply with a projected total physician shortage of ~121,900 by 2032. Non-primary care specialists are expected to experience significant supply challenges as patient aging has fueled demand for surgical and diagnostic solutions. Aside from an aging population, shortened working hours among physicians has contributed to lack of patient access to physicians. Physician work hours declined 2.4% from 2016 to 2018, equating to nearly 20,000 fewer physician full-time-equivalents, exacerbating the industry's staffing levels, according to a survey by Merritt Hawkins.⁵

Physician Specialty	Shortage by 2032 (25 th – 75 th Percentile)
Primary Care	21,100 – 55,200
Medical Specialties	1,900 – 12,100
Surgical Specialties	14,300 – 23,400
Other Specialties	20,600 – 39,100

Source: Association of American Medical Colleges 2019

SEGMENT BREAKDOWN

- ▶ Allied Healthcare and Locum Tenens remain highly sought after segments within the Healthcare Staffing industry, making up 35.3% and 26.5% of YTD transactions, respectively. Recent notable transactions include Triage Staffing, Inc. acquiring Aspen Medical Staffing, LLC (July, undisclosed); Aequor Healthcare Services acquiring Locum Connections, LLC (June, undisclosed); and FlexRN acquiring Progressive Nursing Staffers, Inc. (June, undisclosed).



HEALTHCARE STAFFING GROWTH

- ▶ The U.S. Healthcare Staffing industry has demonstrated consistent growth supported by increased healthcare spending and favorable labor dynamics, contributing to a projected \$17.4 billion industry by the end of 2019, according to Cross Country Healthcare.⁶



Source: Cross Country Healthcare



BUILT FOR THE MIDDLE MARKET



UNITED STATES

160+ professionals
17 offices

INTERNATIONAL

450+ professionals
60 offices in 40 countries

CITATIONS

1. United States Census Bureau, "Older People Projected to Outnumber Children for First Time in U.S. History," <https://www.census.gov/newsroom/press-releases/2018/cb18-41-population-projections.html>, accessed August 8, 2019.
2. AMN Healthcare, "Clinical Workforce Survey," https://www.amnhealthcare.com/clinical_survey/, accessed September 4, 2019.
3. Association of American Medical Colleges, "The Complexities of Physician Supply and Demand: Projections from 2017 to 2032," https://aamc-black.global.ssl.fastly.net/production/media/filer_public/31/13/3113ee5c-a038-4c16-89af-294a69826650/2019_update_-_the_complexities_of_physician_supply_and_demand_-_projections_from_2017-2032.pdf, accessed August 7, 2019.
4. HealthLeaders, "2019 HealthLeaders Mergers, Acquisitions, and Partnerships Survey," <https://interactive.healthleadersmedia.com/Navigating-M-A-Landscape-Intel>, accessed August 7, 2019.
5. Merritt Hawkins, "2019 Review of Physician and Advanced Practitioner Recruiting Incentives," https://www.merrithawkins.com/uploadedFiles/merrithawkins_2019_incentivereview.pdf, accessed August 7, 2019.
6. Cross Country Healthcare, "Q4 2018 Investor Relations Presentation," <https://ir.crosscountryhealthcare.com/static-files/09c9d7ce-bc59-4256-aca5-33a948f8e2a4>, accessed August 7, 2019.

Disclosure: This report is a periodic compilation of certain economic and corporate information, as well as completed and announced merger and acquisition activity. Information contained in this report should not be construed as a recommendation to sell or buy any security. Any reference to or omission of any reference to any company in this report should not be construed as a recommendation to buy, sell or take any other action with respect to any security of any such company. We are not soliciting any action with respect to any security or company based on this report. The report is published solely for the general information of clients and friends of Capstone Headwaters. It does not take into account the particular investment objectives, financial situation or needs of individual recipients. Certain transactions, including those involving early-stage companies, give rise to substantial risk and are not suitable for all investors. This report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Prediction of future events is inherently subject to both known and unknown risks and other factors that may cause actual results to vary materially. We are under no obligation to update the information contained in this report. Opinions expressed are our present opinions only and are subject to change without notice. Additional information is available upon request. The companies mentioned in this report may be clients of Capstone Headwaters. The decisions to include any company in this report is unrelated in all respects to any service that Capstone Headwaters may provide to such company. This report may not be copied or reproduced in any form, or redistributed without the prior written consent of Capstone Headwaters. The information contained herein should not be construed as legal advice.