



INDUSTRY OVERVIEW

- Amid the growing economy and the tight labor market, the Healthcare Staffing industry has flourished. Healthcare added an impressive 346,000 jobs to the US economy in 2018, a 21.8% increase from the 284,000 gained in 2017, according to the US Bureau of Labor Statistics.¹
- The US is projected to see a shortage of up to 120,000 physicians by the year 2030, according to the Association of American Medical Colleges.² Contributing factors to the shortage include the trend toward physicians working fewer hours, the aging population (which includes retiring physicians), and intensified regulatory burdens. A striking 54% of respondents to Medical Group Management Association's 2018 survey reported that administrative burnout was a contributing factor to their likelihood of retirement within the next five years.³ As this shortage intensifies, physician staffing companies will continue to be desired merger and acquisition (M&A) targets in 2019.

HR & STAFFING TRANSACTION VOLUME

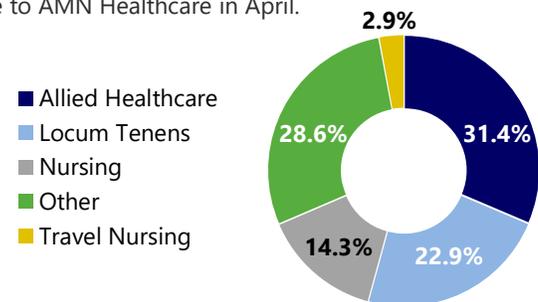
- M&A activity in the broader Human Resources & Staffing industry climbed to a record high in 2018 with 202 announced or closed transactions.
- Deal activity within the Healthcare Staffing sector also eclipsed prior years with 35 transactions compared to 27 in 2017.



Source: Capital IQ, Pitchbook, FactSet, and CSHW Research

2018 M&A ACTIVITY BY SEGMENT

- Allied healthcare followed by locum tenens were the most frequently targeted segments within Healthcare Staffing in 2018.
- In addition, many large healthcare staffing providers are utilizing M&A to broaden their offerings outside of traditional clinical staffing to include executive search and interim management staffing. As an example, Capstone Headwaters advised Phillips, DiPisa & Associates and Leaders for Today on their combined sale to AMN Healthcare in April.



Source: Capital IQ, Pitchbook, FactSet, and CSHW Research

NOTABLE TRANSACTIONS

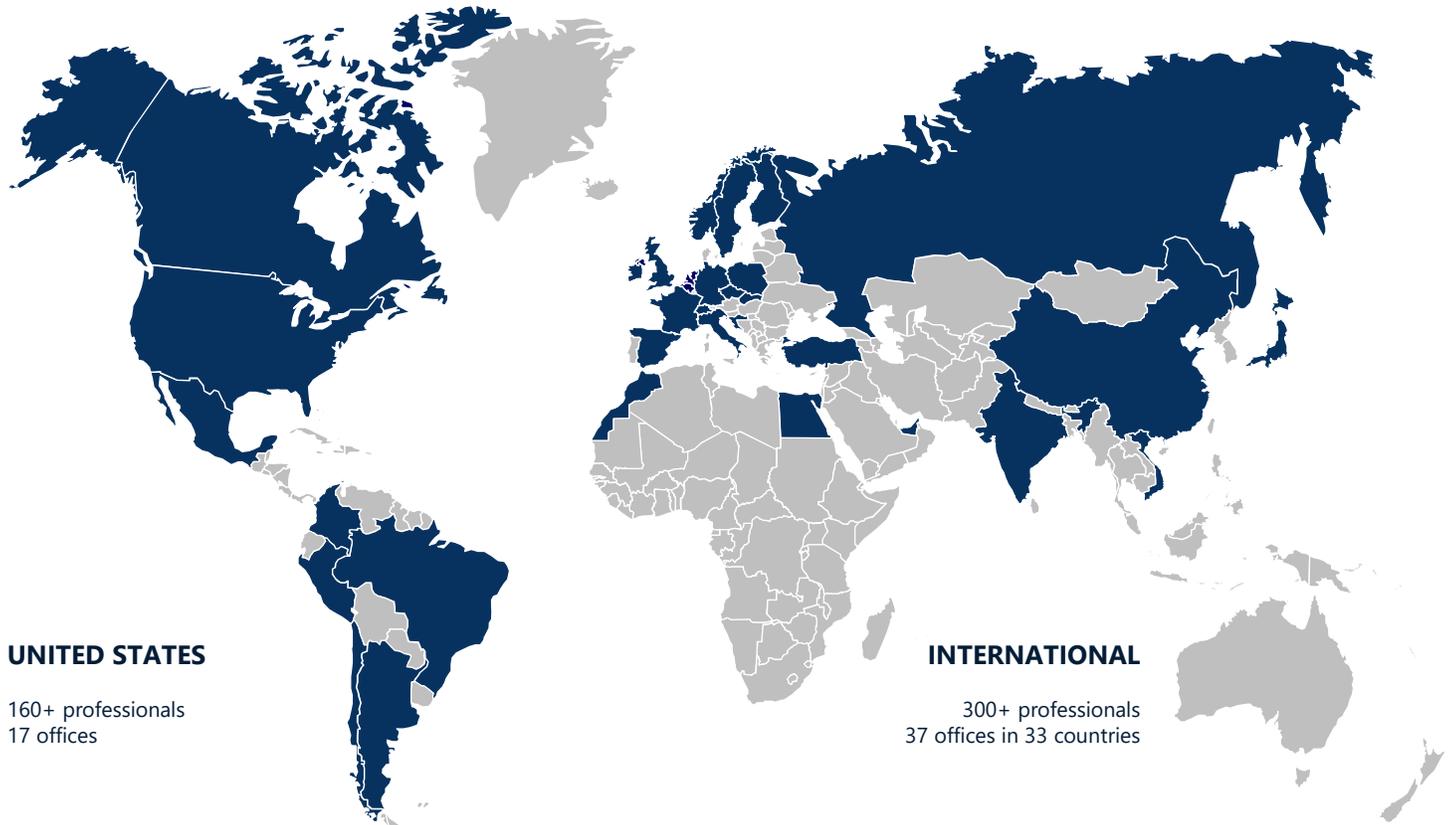
- Cross Country Healthcare acquires American Personnel (December, Undisclosed)** – Cross Country Healthcare (Nasdaq: CCRN), the largest provider of per diem staffing in the US, has acquired Boston-based American Personnel (operating as AP Staffing). Terms of the deal were not disclosed. In its 42 years in operation, AP Staffing evolved from a legal and administrative search firm to offer healthcare staffing. The acquisition will help expand Cross Country Health's presence in the Northeast.
- HNI Healthcare acquires Martin Healthcare Group (November, \$25.0 Million)** – Technology-enabled practice management company HNI Healthcare acquired physician staffing provider Martin Healthcare Group for \$25 million. "While the size and scale of this acquisition is unprecedented in HNI's history, this is the first step in our aggressive growth plan fueled by the confidence health systems and physician practices have put into our differentiated approach to inpatient care," said HNI Founder and CEO Michael Gonzales in a press release.⁴ Following the acquisition, HNI received a \$65 million dollar commitment from healthcare investment firm CRG to facilitate continued innovation.

FIRM TRACK RECORD

 has partnered with 	 Leaders For Today have been acquired by 	 has been acquired by
 has been acquired by 	 has recapitalized with A PRIVATE INVESTMENT GROUP	 has been acquired by a portfolio company of AUDAX GROUP, INC.



BUILT FOR THE MIDDLE MARKET



UNITED STATES

160+ professionals
17 offices

INTERNATIONAL

300+ professionals
37 offices in 33 countries

CITATIONS

1. Bureau of Labor Statistics, "The Employment Situation – December 2018," https://www.bls.gov/news.release/archives/empsit_01042019.pdf, accessed February 18, 2019.
2. Association of American Medical Colleges, "2018 Update - The Complexities of Physician Supply and Demand: Projections from 2016 to 2030," https://aamc-black.global.ssl.fastly.net/production/media/filer_public/85/d7/85d7b689-f417-4ef0-97fb-ecc129836829/aamc_2018_workforce_projections_update_april_11_2018.pdf, accessed February 18, 2019.
3. MGMA, "Summary of Findings, MGMA 2018 Regulatory Burden Survey," <https://www.mgma.com/resources/government-programs/summary-of-findings-mgma-2018-regulatory-burden-s>, accessed February 18, 2019.
4. Business Wire, "HNI Healthcare Acquires Martin Healthcare Group to Expand Footprint," <https://www.businesswire.com/news/home/20181102005116/en/HNI-Healthcare-Acquires-Martin-Healthcare-Group-Expand>, accessed February 18, 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.