



FORVIS

SENIOR LIVING MERGER & ACQUISITION PERSPECTIVES

2022

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2022 OVERVIEW & 2023 OUTLOOK

The merger and acquisition (M&A) and operational outlook for senior living in 2023 continues a trend of challenging economic and environmental messages to read and translate. While the U.S. economy appears to have weathered the worst of the economic gyrations over the past couple of years without falling into a recession, it does appear that economic growth is slowing substantially. After the United States recording real gross domestic product growth (GDP) of 2.1% in 2022, the Conference Board is forecasting U.S. real GDP growth at 0.7% year-over-year in 2023.

This may be the economic soft landing that Federal Reserve Chair, Jerome Powell, had targeted when the Federal Reserve started raising its interest rate targets in 2022, but those rate increases appeared to have a significant impact on deal flow in the senior living space towards year end. In 2022, there were 539 publicly announced senior housing and care transactions, up 19.5% over the 451 reported transactions in 2021. The total deal volume would have likely been higher were it not for the Federal Reserve's aggressive moves to combat inflation in the summer and fall of 2022, which drove the Federal Funds Target Rate above 2.5% for the first time since 2018. In the first eight months of 2022, deal volume totaled approximately 48 transactions per month, but then fell sharply to less than 38 transactions per month from September to December of 2022 in what is often the busiest dealmaking period of the year.

Senior Housing Transaction Volume & Dollars Spent on M&A
(\$ in billions)



Source: Irving Levin Associates

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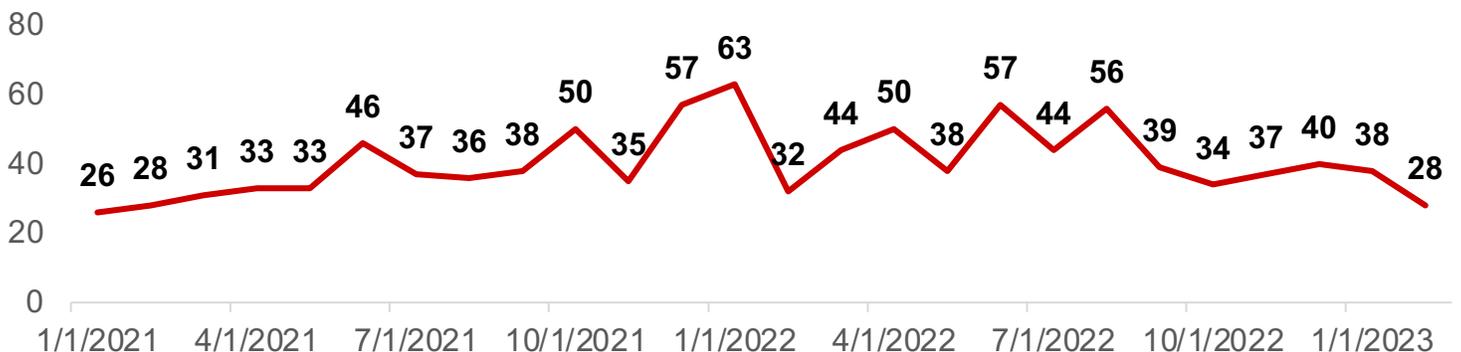
2022 OVERVIEW & 2023 OUTLOOK – CONTINUED

Transaction activity continued to slow in the first quarter of 2023, which recorded just 95 publicly announced transactions, or approximately 32 transactions per month. That is the slowest period for senior living M&A since the first quarter of 2021, which recorded only 85 transactions. While much of what shows up in the 2022 data on senior living M&A appears relatively positive compared to the past several years, pricing across the senior living space appears to have weakened by approximately 20% to 30% near the end of 2022 and into 2023 alongside the significant slowdown in deal flow. To provide some reflection of that, we have included an “Adjusted 2022” data point throughout this Senior Living M&A Perspectives document to reflect a 20% discount on the 2022 valuation data points as some indication of where the current market might be across the sector. This is a blunt tool, as there are a wide range of market forces driving M&A activity today, but it might provide some insights as to where current pricing trends are as of the date of this document.

In addition to the slowing pace of transactions near the end of 2022, there was a drop in the total senior living M&A transaction dollar volume in 2022, indicating a notable change in the size and scope of the deals getting done from the trends observed in 2021. Total dollar volume reached only \$14.4 billion in 2022, down 24.6% over the \$19.1 billion in total dollar volume in 2021. This drop in the total dollar volume in 2022 is especially significant considering the 19.5% increase in reported transaction volume in 2022 over the number of transactions reported in 2021.

Looking ahead, the senior living M&A market in 2023 is likely to be shaped by a combination of factors, including the overall economy, higher interest rates, ongoing staffing challenges, cost pressures, and slow-to-rebound census numbers. Combined, these factors are likely to keep a damper on valuations and deal flow, but the long-term demographic trends continue to favor the industry as a whole. This cycle may provide a significant opportunity for forward-looking industry participants willing to invest in the long-term resilience of the senior living market.

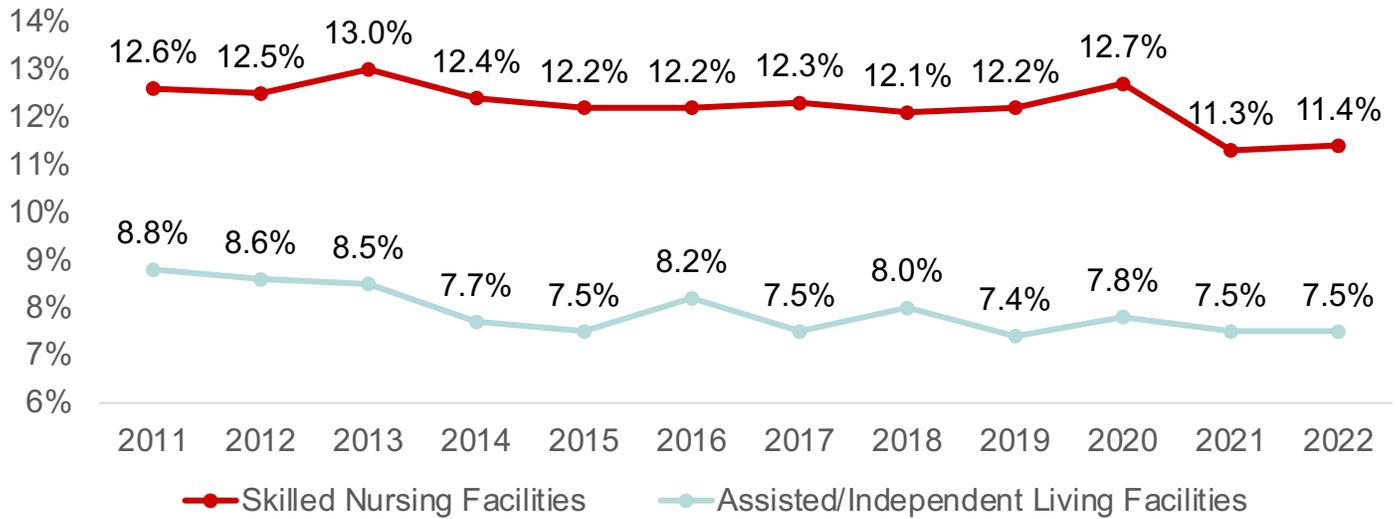
**Publicly Announced Senior Housing & Care Transactions, By Month
(Jan 2021 - Feb 2023)**



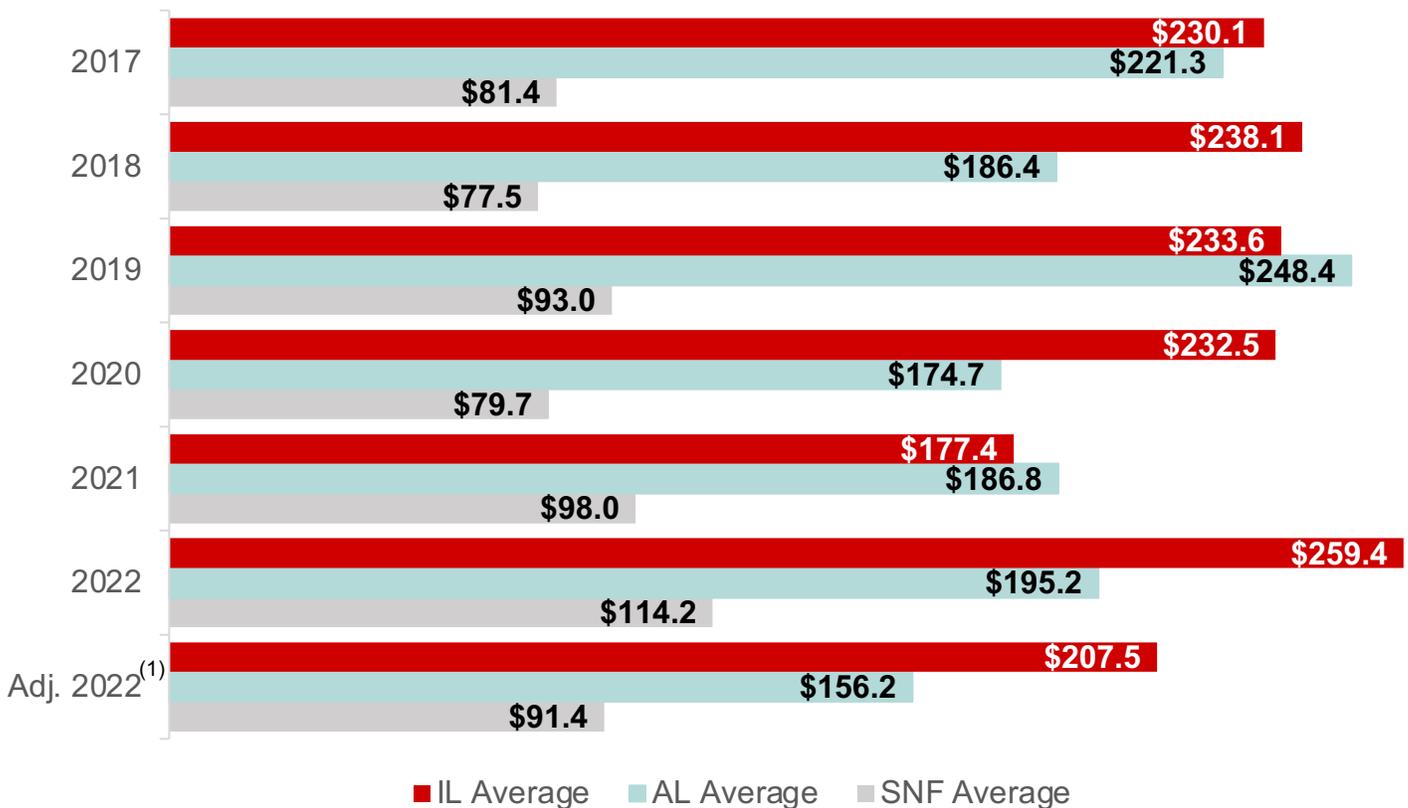
Source: Irving Levin Associates

DEAL METRICS

Average Historical Transaction Capitalization Rates



Average Price per Unit by Facility Type
(\$ in thousands)



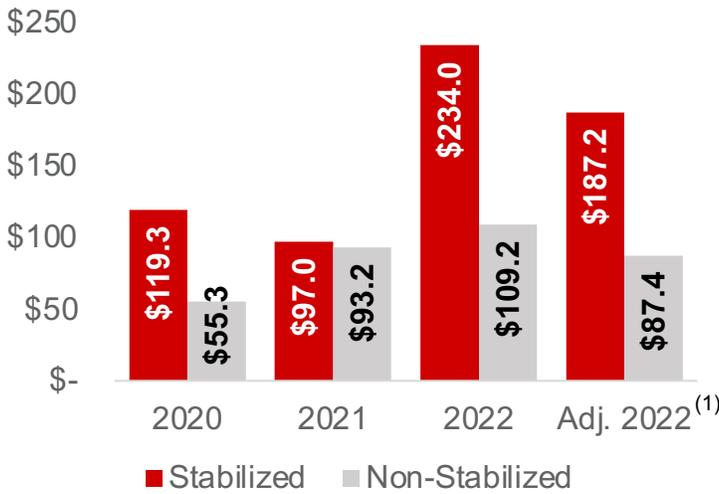
Source: Irving Levin Associates, Internal Analysis

1. Represents a 20% discount to the reported 2022 data to approximate market conditions in late 2022 and early 2023.

DEAL METRICS BY SUBSECTOR

Skilled Nursing Facilities

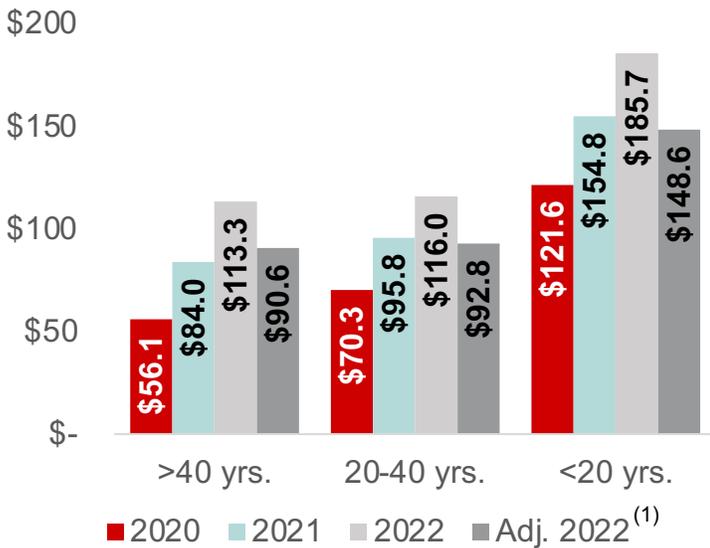
Average Price per Bed: Stabilized vs. Non-Stabilized (\$ in Thousands)



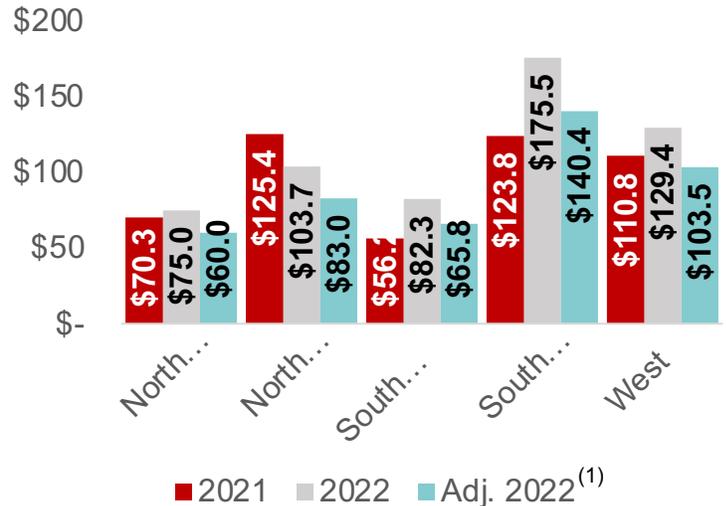
Average Price per Bed by Size of Facility (\$ in thousands)



Average Price per Bed by Age (\$ in Thousands)



Average Price per Bed by Region (2021-2022) (\$ in Thousands)



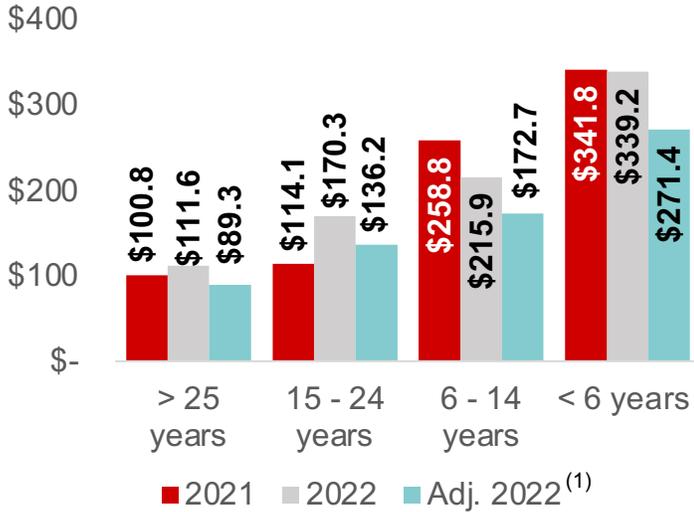
Source: Irving Levin Associates, Internal Analysis

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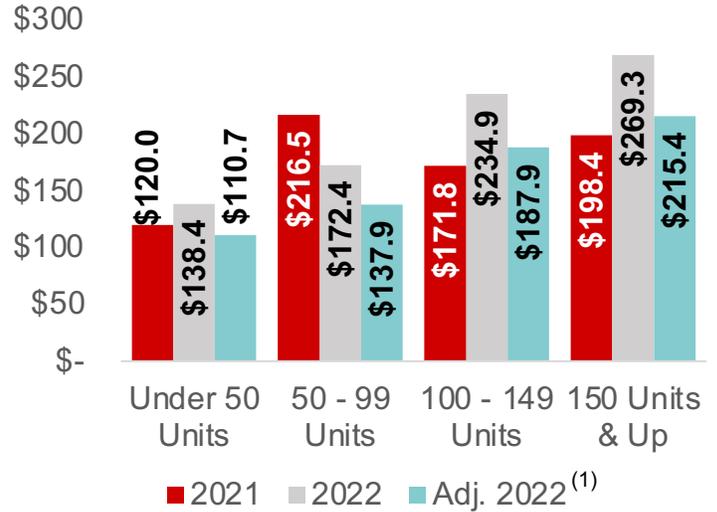
DEAL METRICS BY SUBSECTOR & PUBLIC COMPARABLES

Assisted Living/Independent Living Facilities

Average Price per Unit by Age of Facility 2021-22
(\$ in thousands)



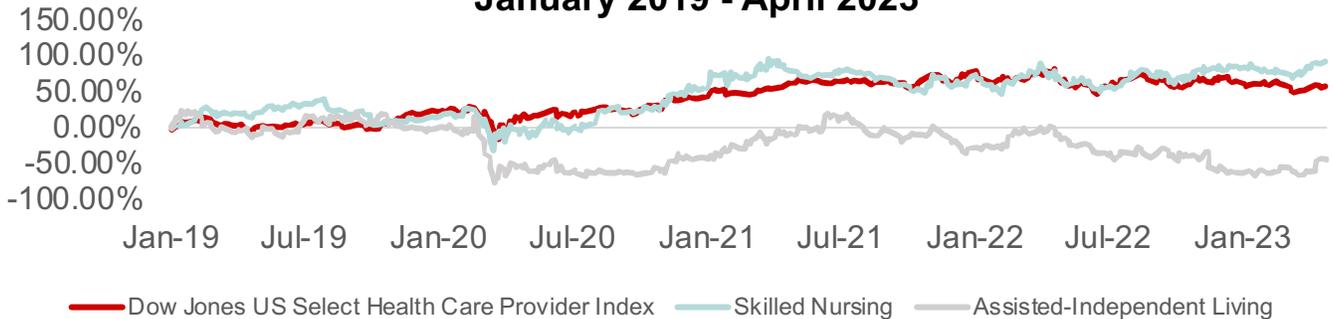
Average Price per Unit by Size of Property 2020
(\$ in thousands)



Source: Irving Levin Associates, Internal Analysis

1. Represents a 20% discount to the reported 2022 data to approximate market conditions in late 2022 and early 2023.

SNF & AL/IL Public Comparables vs. Dow Jones U.S. Health Care Providers Index
January 2019 - April 2023



Public Comparables by Facility Type

Skilled Nursing						
Company	Ticker	As of 12/31/22	Revenue (\$M) As of 12/31/2022	EBITDA (\$M) As of 12/31/2022	EBITDA Margin	Stock Market Cap (\$M)
National Healthcare	NHC	\$59.50	\$1,074.3	\$57.8	5.4%	\$887
The Ensign Group	ENSG	\$94.61	\$3,025.5	\$358.0	11.8%	\$5,571

Assisted/Independent Living						
Sonida Senior Living, Inc.	SNDA	\$12.50	\$211.1	\$9.5	4.5%	\$51
Brookdale Senior Living	BKD	\$2.73	\$2,744.9	\$208.6	7.6%	\$786

Source: Capital IQ

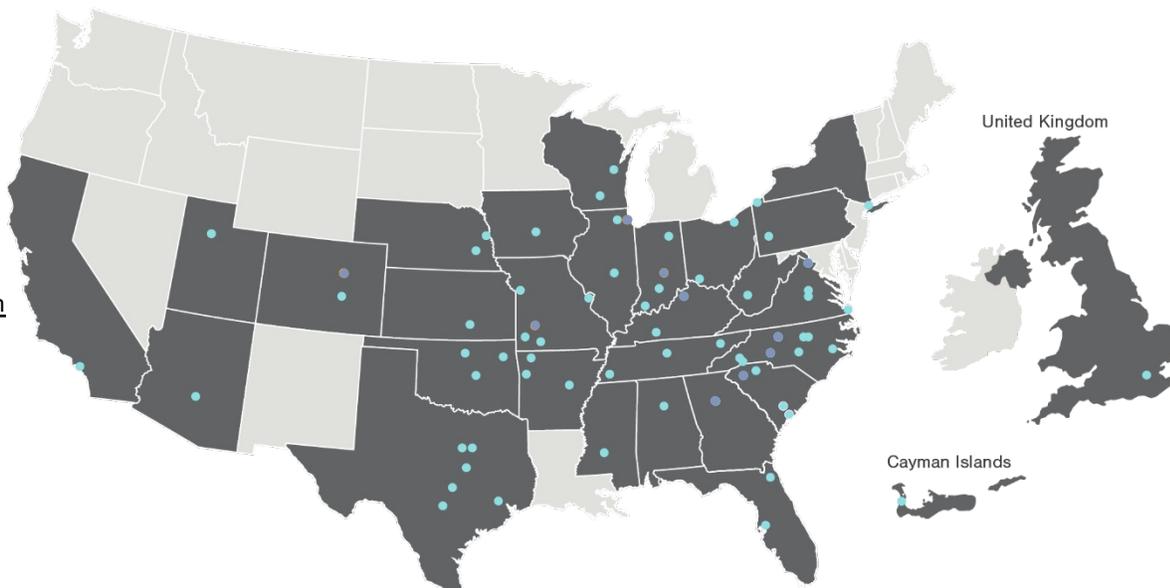
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Healthcare Services

Long-Term Care	Revenue Cycle Management
Specialty Hospitals	Behavioral Health

Manufacturing & Distribution

Metal Fabrication	Industrial Automation
Rubber & Plastics Manufacturing	Transportation & Logistics

Construction & Engineering

Engineering Companies	Construction Contractors
Building Materials	

Consumer Services & Products

Food & Beverage	Apparel
Grocery & Convenience Stores	Enthusiast Products

Financial Services

Commercial Banks	Mortgage Companies
Insurance Brokerages	FinTech

Business Services

Professional Services	Tech-Enabled
Human Resources & Staffing	Services Telecom