2025 Hospital and Health System Market Update

Market Commentary

- Since COVID-19, U.S. hospitals and health systems have faced persistent financial pressures from rising expenses and workforce shortages. While operating margins have improved modestly to roughly 1%, they remain far below the pre-pandemic benchmark of 3%, prompting many national systems to pursue strategic divestitures to bolster financial stability.

- Regional health systems are seizing these divestiture opportunities to expand their footprint and build the scale necessary to compete with larger national players. Meanwhile, academic medical centers are growing through targeted acquisitions of community hospitals.

- While overall hospital and health system M&A activity has declined since 2022, competition for strategically valuable hospital assets, particularly in underserved regions, remains strong. Many recent transactions reflect a broader market realignment among large regional and national health systems, both for-profit and not-for-profit, as they pursue consolidation opportunities and enhanced service capabilities.

- Beyond traditional hospital M&A, health systems are increasingly pivoting toward outpatient-centered strategies through the acquisition of non-hospital assets such as physician practices, ambulatory surgery centers, labs, urgent care centers, and inpatient rehab facilities.

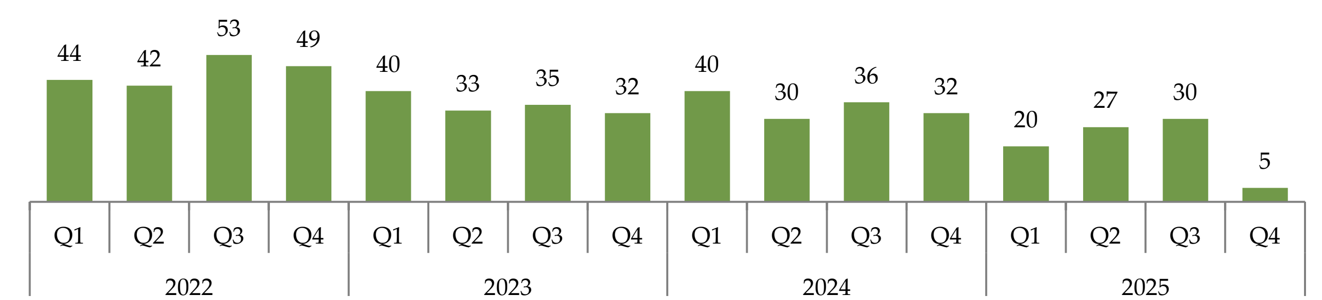
- With greater visibility into the economic and policy landscape, hospitals and health systems are expected to increase their engagement in M&A activity toward the end of 2025 and into 2026. The next wave of activity will likely be propelled by portfolio optimization and a continued push to align care delivery with evolving patient needs.

Select Public Company Trading Multiples[1]

(all financials in millions of USD, except per share items)

Company	Ticker	10/27/25 Close Price	1-Yr. Price Change	10/27/25 Close Price as % of 52-Week High	10/27/25 Market Cap.	10/27/25 Enterprise Value ("EV")	LTM Financials		EBITDA Margin	EV/LTM	
							Revenue	EBITDA		Revenue	EBITDA
HCA Healthcare, Inc.	HCA	$467.86	28.7%	99.7%	$109,476	$158,004	$74,372	$15,101	20.3%	2.1x	10.5x
Tenet Healthcare Corporation	THC	216.17	54.7%	99.4%	19,099	34,202	20,683	4,333	20.9%	1.7x	7.9x
Universal Health Services, Inc.	UHS	214.03	5.6%	99.9%	13,621	18,476	16,993	2,555	15.0%	1.1x	7.3x
Encompass Health Corporation	EHC	127.18	36.1%	99.4%	12,810	16,205	5,669	1,283	22.6%	2.9x	12.6x
Select Medical Holdings Corporation	SEM	14.21	-55.2%	34.7%	1,762	4,921	5,277	380	7.2%	0.9x	13.0x
Community Health Systems, Inc.	CYH	4.41	10.5%	95.0%	583	12,253	12,644	1,447	11.4%	1.0x	8.5x

Yearly Hospital & Health System M&A Volume[2]



Sherman & Company is an investment banking firm dedicated to the convergence of the insurance, healthcare, technology, and asset & wealth management industries.

Sources: S&P Capital IQ, Kaufman Hall, VMG Health, Morgan Stanley, Beckers
Footnotes: **1.** S&P Capital IQ **2.** S&P Capital IQ database
Includes transactions where either the buyer or seller was a hospital/health system

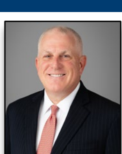
M&A Commentary

- The outpatient-centered M&A interest has been exemplified by 2025 transactions such as Ascension's acquisition of AMSURG's 250+ ambulatory surgery centers and ChristianaCare's acquisition of five outpatient clinics, as organizations seek to provide lower-cost alternatives to traditional inpatient care.
- Recent M&A activity reflects health systems continued focus on divesting of non-core assets, as seen in Community Health Systems' divestiture of Merit Health Madison, HCA Healthcare's divestiture of Regional Medical Center of San Jose, and Steward Health Care System's divestiture of Sharon Regional Medical Center.

Selected Precedent Transactions[1]

Date	Acquirer	Target	Seller	Deal Value ($MM)
10/16/2025	Allegheny Health Network	Heritage Valley Health System	-	-
10/15/2025	UPMC	Trinity Health System, Inc.	CommonSpirit Health	-
09/15/2025	Atrium Health, Inc.	Carolina Neurosurgery & Spine Associates, P.A.	-	-
08/06/2025	Tenor Health Foundation Sharon LLC	Wilkes-Barre General Hospital/Regional Hospital of Scranton/Moses Taylor Hospital	Community Health Systems, Inc. (NYSE:CYH)	-
07/08/2025	Atrium Health Wake Forest Baptist and Brenner Childrens Hospital	Hugh Chatham Memorial Hospital, Inc.	-	-
06/17/2025	Ascension Health Alliance	AMSURG Corp.	-	3,900
05/28/2025	ChristianaCare Health System, Inc.	5 Outpatient Clinics	Crozer Health	50
05/01/2025	University Of Mississippi Medical Center	Merit Health Madison	Community Health Systems Inc. (NYSE:CYH)	-
04/22/2025	Baptist Memorial Health Care Corporation	Arkansas Methodist Hospital Corporation	-	-
04/15/2025	Ascension Health Alliance	Cedar Park Health System, L.P.	Community Health Systems Inc. (NYSE:CYH)	436
01/22/2025	Concentra Health Services, Inc.	Nova Medical Centers	-	265
01/06/2025	Tenor Health Foundation Sharon LLC	Sharon Regional Medical Center	Steward Health Care System LLC	2
11/14/2024	Sanford Health	Black Hills Surgical Hospital, LLP	Medical Facilities Corporation (TSX:DR); Black Hills Surgical Physicians, LLC	194
10/07/2024	University of Iowa Hospitals and Clinics	Medical Oncology and Hematology Associates	-	280
08/29/2024	HCA Healthcare, Inc. (NYSE:HCA)	Emcare Holdings Inc.	Envision Healthcare Corporation	-
08/21/2024	Santa Clara Valley Medical Center	Regional Medical Center of San Jose	HCA Healthcare, Inc. (NYSE:HCA)	150
08/05/2024	Orlando Health, Inc.	Brookwood Baptist Health, Inc.	Tenet Healthcare Corporation (NYSE:THC)	910

Sherman & Company Team



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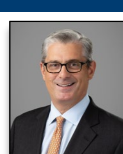

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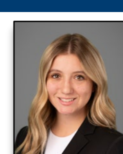

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Sources: S&P Capital IQ, Kaufman Hall, VMG Health, Morgan Stanley
Footnotes: **1.** S&P Capital IQ database. Reflects select deals from August 2024 to present
Includes transactions where either the buyer or seller was a hospital/health system