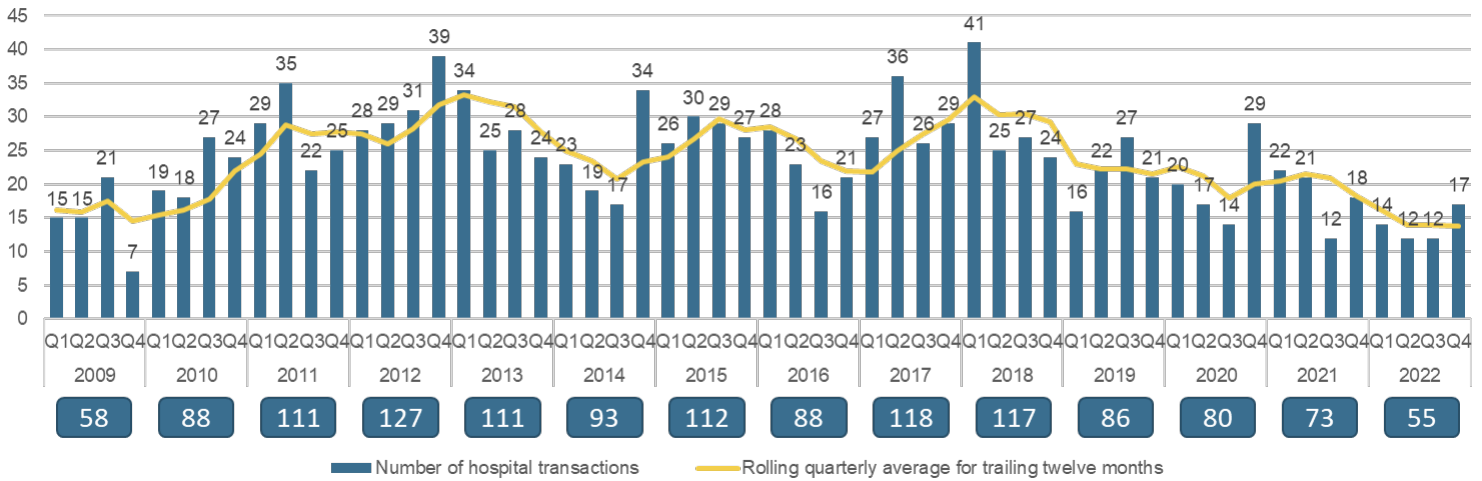


2022 M&A Activity – 2022 recorded lowest announced change of control activity in recent history, but sequential increase in Q4 may be sign of things to come

Number of Announced Hospital Change of Control Transactions
2009 - 2022



Ponder records transactions upon announcement of a definitive agreement, or letter of intent if the transaction involves a for-profit system. If no announcement was made prior to closing of the transaction, the effective date is recorded.

Date Announced	Target	State	Target Tax Status	Acquirer	Acquirer Tax Status	Target Beds	Total Revenue (\$ MMs)
10/01/22	Pleasant Valley Hospital	WV	NFP	Mountain Health Network	NFP	201	40.1
10/05/22	Four Illinois Hospitals (Quorum Health)	IL	FP	Deaconess Health System	NFP	203	194.4
10/11/22	Three Louisiana Hospitals (HCA-Tulane JV)(HCA stake)	LA	FP	LCMC Healthcare	NFP	521	473.6
10/21/22	Yakima Valley Memorial Hospital	WA	NFP	MultiCare Health System	NFP	226	478.8
10/27/22	King's Daughters Health System	KY	NFP	University of Kentucky Healthcare	NFP	465	943.5
11/01/22	Three Illinois Hospitals (UnityPoint)	IL	NFP	Carle Health	NFP	382	586.3
11/11/22	Thomas Health	WV	NFP	WVU Health System	NFP	383	244.3
11/16/22	Hill Country Memorial	TX	NFP	Methodist Healthcare (HCA)	FP	84	75.6
11/18/22	Butler Health System	PA	NFP	Excela Health	NFP	366	397.9
11/22/22	CharterCARE (Prospect Medical Holdings)	RI	FP	The Centurion Foundation	NFP	532	303.2
11/28/22	Gateway Regional Medical Center (Quorum Health)	IL	FP	American Healthcare Systems	FP	338	97.8
12/08/22	Sparrow Health System	MI	NFP	Michigan Medicine	NFP	736	1505.8
12/14/22	Guernsey Health Systems	OH	NFP	OhioHealth	NFP	189	100.1
12/15/22	Madera Community Hospital	CA	NFP	Trinity Health	NFP	106	96.5
12/16/22	Valley Regional Hospital	NH	NFP	Dartmouth-Hitchcock Health	NFP	25	46.2
12/19/22	Our Lady of the Lake Children's Health	LA	NFP	Children's Hospital New Orleans	NFP	93	N/A
12/22/22	Van Wert Health	OH	NFP	OhioHealth	NFP	109	59.6

		2015	2016	2017	2018	2019	2020	2021	2022				
									Q1	Q2	Q3	Q4	CY
Total Number of Announced Transactions		112	88	118	117	86	80	73	14	12	12	17	55
Target Revenue (\$MMs)	Median	116	84	103	104	78	127	104	130	407	189	219	192
	Average	322	282	541	435	230	263	483	260	3,879	903	353	1,048
Target Bed Count	Median	145	96	125	120	102	166	150	118	192	203	226	195
	Average	303	287	394	402	230	284	342	202	1712	743	292	653
% of For-Profit Acquirer		32%	24%	26%	18%	21%	25%	22%	14%	25%	20%	12%	18%
# FP acq. of NFP		18	8	13	6	10	7	6	0	1	0	1	2
# of Publicly traded FP-system acq. of NFP		8	3	6	1	3	2	0	0	0	0	1	1

Top Themes of 2022

- Announced transactions dropped to 55 in 2022, the fifth consecutive decline in annual volume and a drop of over 20% from the prior year to the lowest level in the past decade
- Average transaction size as measured by target revenue ballooned to over \$1 billion, nearly doubling the previous annual record for the past decade, due to an increase in mega-mergers and weighted heavily by the Advocate Health combination combined with the overall reduced transaction volume. Median target revenue in 2022 also showed significant increases from prior years, increasing nearly 90% as compared to median target revenue from 2019-2021 period
- Both for-profit and not-for-profit health systems continue to prune their portfolios and focus on regional relevancy in remaining markets as divestitures constituted 29% of volume for the full year
- Despite the challenges in 2022, select large, financially sound health systems moved forward with major strategic alignments to drive major advances in innovation, valued-based healthcare and expanded regional networks

Annual Announced Transaction Volume Declines for Fifth Consecutive Year, Declines Past Previous Lowest Level in 2009

The 55 announced transactions in 2022 represents a 25% decline from the previous year and is less than half of the recent high-water mark of 2017's total of 118 announced transactions. This lower annual total continues the five-year trend of declining volume and marks the lowest annual volume that Ponder has record since we began our database in 2009. Year-over-year quarterly volumes were down over 40% in the first half of the year compared to the first half of 2021.

Qtr	2021	2022	Δ%
Q1	22	14	(36%)
Q2	21	12	(43%)
Q3	12	12	0%
Q4	18	17	(6%)
	73	55	(25%)

But Q4 2022 Increase in Announced Activity May Reflect Beginning of Heightened Activity

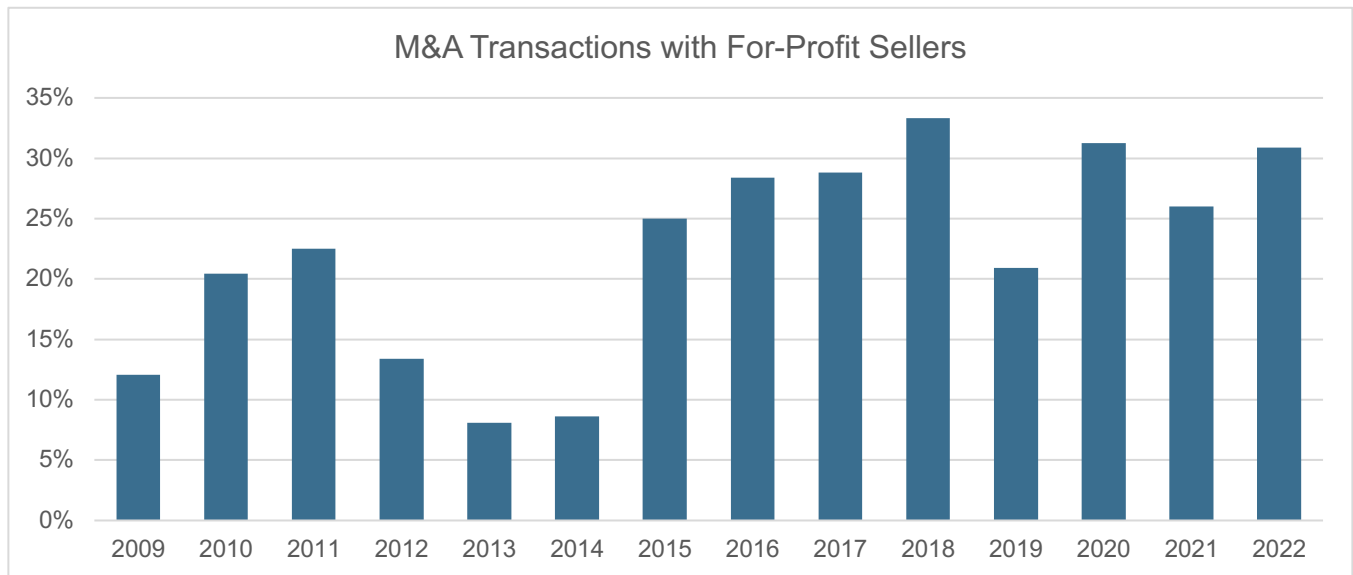
Q4 2022 announced transaction activity of 17 deals was a meaningful increase from Q2 and Q3 2022 levels of 12. Continued pressure on hospitals' operating margins and muted revenue growth, combined with hits to investment portfolios due to declines in the markets over the past year, leave many hospitals and systems in a vulnerable position. There is a marked increase in dialog

related to potential future bond covenant violations for weaker systems. Based on activity via our own practice at Ponder, market discussions regarding transactions picked up meaningfully in Q4 2022 and into January 2023. Many small-to-mid sized systems are simultaneously considering acquisitions to drive growth while also studying their own needs for a partner in light of the pressures mentioned. If financial pressures do not subside in a reasonable period of time, announced transactions are likely to pick up and return to the 20+ per quarter level.

Divestitures Continue by Largest For-Profit Systems

Many of the major for-profit health systems announced divestitures in the year. HCA announced the divestiture of its stake of its JV with Tulane University, Lifepoint announced the divestiture of two hospitals in Colorado to CommonSpirit Health, while CHS announced divestitures in Oklahoma and West Virginia and QHC announced the divestiture of five hospitals in Illinois across two transactions. Prospect Medical Holdings announced the divestiture of all of its hospitals outside of California across three transactions, although the Crozer Health deal with ChristianaCare was abandoned in August.

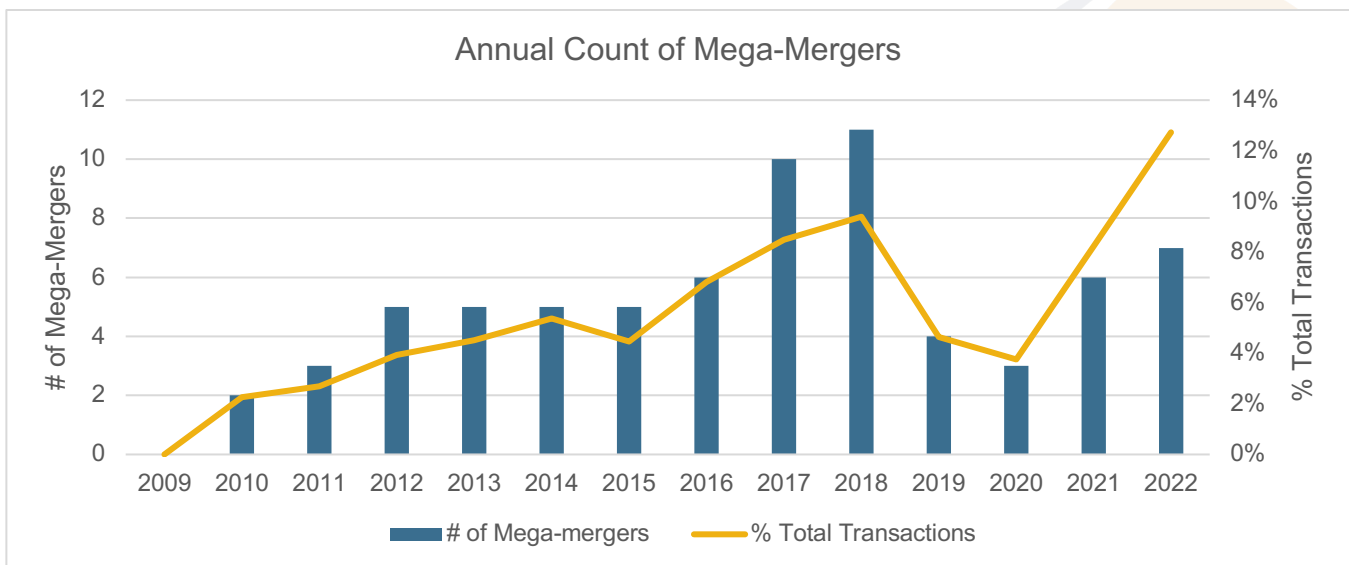
As shown in the chart below, the percentage of transactions involving for-profit targets remained robust at 31% of all transactions in 2022. This continues the trend that began in 2015 of for-profit health systems rationalizing their portfolios, accounting for 20% to 33% of annual transactions in each year since 2015.



Also, continuing a theme from the prior year, the top for-profit health system operators were largely absent as acquirers of not-for-profit assets in 2022 with the only two announced acquisitions consisting of HCA’s announced acquisition of Hill Country Memorial in November, its first announced acquisition of a not-for-profit hospital since 2020, and Steward Healthcare’s announced acquisition of The Miami Medical Center.

Mega-Mergers Activity Accelerates

The count of mega-mergers was seven in 2022, an increase from the previous year and the highest total since 2018. As a percent of total transactions, mega-merger activity reached nearly 13%, surpassing the 9% recorded in 2018.



- Announced in May, Atrium Health and Advocate Aurora completed their cross-region merger in December to become a \$27 billion health system
- In April, it was announced that the 19-hospital AMITA Health JOA between AdventHealth and Ascension would be dissolved, with AdventHealth subsequently developing a JV with UChicago Medicine to include its former AMITA hospitals. Also in April, Trinity Health acquired CommonSpirit Health's stake in their MercyOne JOA in Iowa
- Bellin Health and Gundersen Health System completed their merger of equals that was announced in July
- Michigan Medicine announced the acquisition of six-hospital Sparrow Health System in December
- Hoag Health System's separation from Providence St. Joseph Health was announced in January
- Announced in September, Ardent Health transferred a minority equity stake to UAE-based Pure Health

Additionally, several health systems announced letters of intent towards future mega-mergers, including:

- Marshfield Clinic Health System and Essentia Health
- M Health Fairview and Sanford Health
- Augusta University Health System and Wellstar Health System

Other Affiliation Activity in Q4 2021

While the volume of announced transactions remains low, several systems announced initial steps towards mergers or other affiliations in Q4 2022:

- Parkview Medical Center (Pueblo, CO) announced an LOI to join UCHealth
- Olathe (KS) Health announced an LOI to join University of Kansas Health System
- Jupiter (FL) Medical Center announced plans with UF Health for jointly operated hospital in Palm Beach Gardens to open in 2024

- Perry County (IN) Memorial Hospital announced a non-change of control affiliation with Deaconess Health System
- Cape Regional Health System (Cape May Court House, NJ) announced an LOI to join Cooper University Health System with a definitive agreement targeted for March 2023

Previously Announced Deals Called Off or Facing Regulatory Scrutiny in Q4 2022

- Greenwood (MS) Leflore Hospital and University of Mississippi Medical Center ended negotiations towards lease and management agreement
- Trinity Health withdrew from its acquisition of Madera (CA) Community Hospital following conditions imposed by the state Attorney General as part of the approval process
- FTC announced opposition to the state COPA application for the proposed Crouse Hospital (Syracuse, NY) merger with SUNY Upstate Medical University