



Episode 120: PPM Deals in 2026, With Rebecca Springer

Episode Summary

"We're predicting that 2026 will be a bit stronger than 2025 in terms of overall deal activity," says [Rebecca Springer](#), director of market development at Bailey & Company, a healthcare-dedicated investment banking group.

In a three-part installment of the "Corner Series Shorts" format, where McGuireWoods partner and host [Geoff Cockrell](#) dives into a narrower topic with experts, Rebecca shares her outlook on 2026.

In this episode, Rebecca reviews the outlook for physician practice management (PPM) deals in 2026. She explains why she expects to see a "modest increase" in PPM activity relative to 2025 and shares other insights about the market, including the future of large PPM platforms and the "mixed picture" of dental.

Transcript

Voice Over (00:00):

This is The Corner Series, a McGuireWoods series exploring business and legal issues prevalent in today's private equity industry. Tune in with McGuireWoods partner, Geoff Cockrell, as he and specialists share real world insight to help enhance your knowledge.

Geoff Cockrell (00:19):

Thank you for joining another episode of The Corner Series. I'm your host, Geoff Cockrell, a partner at McGuireWoods. I'm thrilled to be joined by my longtime friend, Rebecca Springer. Rebecca is a director of market development at Bailey & Co after spending a long time as a journalist at PitchBook. And Rebecca really has her pulse on the finger of a lot of things in healthcare private equity. Over a few episodes, we're going to go through a number of kind of discrete topics. So Rebecca, if you could kind of introduce yourself and Bailey & Co, and then we'll jump into some discussions.

Rebecca Springer (00:48):

Sure. Thanks for having me, Geoff. Bailey & Company is one of the larger healthcare dedicated investment banking groups serving the middle market, 13 managing directors covering healthcare services, healthcare IT, payer services and pharma services, MedTech Life Sciences, sell side advisory with enterprise values in the 50 to 500 range is typically where we play. My role leading our market development function focuses on developing proprietary in-house research and sector strategy, and germane to this conversation involves bringing together what we're seeing in the market as a firm into a data informed and qualitatively informed view of where we think healthcare is heading and where we think the market's heading.

Geoff Cockrell (01:33):

Rebecca, for this episode of the "Corner Series Short," we're going to discuss in a little bit more nuance the arena of PPM deals. There's so many of them that happened. Many of them are very, very big, and the question of, where does the market go from here, what are the headwinds, tailwinds within that? Maybe just to kind of start that discussion, what's your overall prognosis for '26 of the PPM part of the market?

Rebecca Springer (01:59):

We feel that there is continued opportunity for both new platforms and PPMs and for exits to occur. There are certainly still challenges in the market. The buyer universe in terms of private equity is smaller than it was a couple of years ago, sort of pre-COVID. But there are plenty of now growing mature platforms that need to find a home. Seller valuation expectations have moderated a bit, especially on the private equity side. And so, we do think we're going to see, again, a modest increase in deal activity relative to 2025 in PPMs overall.

Geoff Cockrell (02:40):

Do you see an evolving landscape of who might be buyers of large, let's call it, four or 500 million EBITDA PPM platforms? Is it just strategics? Is it drug distributors? Is it large pension funds that view that acquisition as akin to a public company, long-term hold, sovereign wealth, IPOs? Where do these big things land?

Rebecca Springer (03:05):

Yeah. All of the above are possibilities here. This is the challenge for large PPMs. To put some numbers behind this, we think there are somewhere between 400 and 500 private equity owned PPM platforms out there and a decent chunk of those sort of later in hold. Of course, not all of them are at the scale that you're describing. Only a minority are. In terms of buyers, we've seen the drug wholesalers and distributors kind of emerge as a new buyer category over the past year or so. That's been really interesting, unclear how long that's going to continue. Some of the big payers are still active buyers, but not making enormous splashy acquisitions like we saw in 2021, '22, '23. Public

markets remain a question mark for PPMs. There's not necessarily very many precedents, but public markets overall look like they're going to be more conducive to IPOs over the next year or so.

(04:08):

So, we'll see whether someone decides to test the waters and kind of try out that thesis.

Geoff Cockrell (04:13):

You think that there will be enough activity on the large end to prompt further consolidation kind of downstream from that? Because to me, the whole consolidation idea runs out of steam if there's not solutions for the large ones. Is your sense and your kind of prognosis for '26 that enough of that is going to start to look clear that the downstream consolidation will occur or will downstream consolidation occur just as a response to, say, distress? So, we've seen a lot of mergers between relatively similarly sized ones that I wouldn't exactly call an acquisition. Do you think that that will be clear enough upmarket to enable more traditional downstream activity?

Rebecca Springer (04:58):

Yeah. I don't know if you have to fully sort out the upmarket problem to allow for good ad activity in the lower middle market. There are enough mechanisms now between continuation vehicles and sort of pension funds and other limited partners that have direct investing strategies that you can kind of imagine long-hold scenarios for some of these large platforms. In the meantime, we do see an opportunity for middle market platforms that are healthy to continue growing, whether that's sort of post recap or as they're waiting to trade, fueled by a more conducive seller environment, likely at the smaller end of the market. So, there's some distress, as you mentioned. There's also just the reality that we've continued to work through seller valuation expectations post-COVID, and some of those founder owners are becoming more and more accustomed to the new normal in terms of what valuation multiples should look like.

(06:00):

So, that enables some M&A activity too. We track this in our Outlook report. The proportion of add-on deals as a percentage of overall healthcare deal activity has dropped pretty significantly over the past two years, down from about 37% a couple years ago, down to 30%. Most of that is PPM slowing down M&A activity. We think that trend's going to start to reverse a little bit this year. Again, just as these platforms... Right size operationally, they're growing on a same store basis. It's time to resume M&A and there are targets out there.

Geoff Cockrell (06:37):

Yeah. And I also see that some of the barrier on that M&A activity was not necessarily the absence of a desire to grow through acquisitions, but just balance sheet constraints. And those constraints have a way of working themselves out either through organic growth or through distressed transactions, which can reset that. So within the kind of four corners of a lot of those businesses, there's often not

kind of organic distress. I think we're going to see yet more distressed transactions for a while, but to your point, I think that will ultimately be a catalyst to greater M&A activity eventually.

Rebecca Springer (07:15):

Yeah. I think that's right.

Geoff Cockrell (07:16):

Drilling this down a little bit further, and specifically, you've written a lot on the dental corner of the provider services market. It continues to be just blindingly active, to my eye, while other things kind of stopped. That activity just kept going with a lot of kind of small aggregators continuing to do their work. What do you think is going to happen on the dental side, both in kind of the smaller aggregators and then the upstream? There's a handful of very, very big ones and their future has been a little murky. There's also a certain amount of distress when you get to size. What's your prognosis for dental?

Rebecca Springer (07:53):

Yeah. Again, it's a mixed picture, as you're alluding to. We do think we will see more platform level recap activity in the next 12 months than we saw in the previous. Dental remains fundamentally a very attractive sector to invest in, still highly fragmented after, what, a couple decades of consolidation, and continues to offer new specialty modalities that can be explored, the most recent being implants, which have become more accessible as technology has improved. So, the question in dental remains... I think two questions remain. One, what do you do with the big platforms that have grown to such significant scale? Where do those eventually land? And I think we'll see some answers there over the next couple of years. And two, for being a well-worn playbook, so to speak, from the private equities perspective, dental is still a category that requires careful execution, and there's staffing challenges in terms of hygienists specifically.

(09:00):

There's a sort of aging workforce dynamic with the dentists themselves. There's a need to grow really carefully with a view toward your ultimate buyer and your ultimate exit, and make sure that if you're in the lower middle market, that strategic exit really fits well. That's what we're seeing enable successful transactions. So, dental feels easy, but it's not easy. It requires a careful execution even still.

Geoff Cockrell (09:25):

I'm also seeing an evolution in how to think about provider alignment in dental that, for a long time, the rollover equity or things like it and multiple bites at the apple was the driver. That has become increasingly less favored. The dentists themselves have kind of lost faith in that idea. And I think the winning evolution is some version of a joint venture model, but the real driver of that is to kind of treat the employees, including the dentists themselves, more in the same way that you would a traditional large company with kind of management and other kind of incentives that are all kind of more current

comp based and evolving ideas where the platforms that can convert their base of dentists into kind of more traditional employment ideas, those have staying power, that they become attractive to larger strategics because the idea that there's going to be just an ever larger private equity fund to kind of convert these second bytes and third bytes into more and more and more has just ran out of steam.

Rebecca Springer (10:33):

Yeah. And I'd say the debate in the industry around getting that comp and equity structure exactly right continues based on our conversations in the market. We see sponsors and strategics pursuing a variety of different strategies there with varying rationales. I'll plug our research note on potential service organizations that lays all of this out authored by my colleague Colin Anderson and Ben Matts, our managing director who covers the space. Lots of good detail there.

Geoff Cockrell (11:02):

Rebecca, I think we'll end this short episode there and hope folks will join us on our kind of last short episode. We're going to explore one of my favorite topics, is new theses for investment. Can't wait to be out at JP Morgan in a month-ish from where we sit today and kind of hear people's new and evolving theses of where to invest. So, I'll be very curious to hear what your new theses are, but thanks again.

Rebecca Springer (11:27):

Thanks, Geoff.

Voice Over (11:29):

Thank you for joining us on this installment of The Corner Series. To learn more about today's discussion, please email host Geoff Cockrell at gcockrell@mcguirewoods.com. We look forward to hearing from you. This series was recorded and is being made available by McGuireWoods for informational purposes only. By accessing this series, you acknowledge that McGuireWoods makes no warranty, guarantee, or representation as to the accuracy or sufficiency of the information featured in this installment. The views, information, or opinions expressed are solely those of the individuals involved and do not necessarily reflect those of McGuireWoods. This series should not be used as a substitute for competent legal advice from a licensed professional attorney in your state and should not be construed as an offer to make or consider any investment or course of action.

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