

Customer & Market Due Diligence of Commercial Ambulance Service Provider: Establishing Local Market Competitive and Labor Dynamics

The Challenge: One of our PE clients was looking to acquire one of the largest commercial ambulance service providers in the U.S. Our client was attracted by the target's leading presence in its local markets and the opportunity to scale it up through acquisitions. Given the local nature of the ambulance business, our client asked Gotham to conduct a customer & market due diligence of the target to: (1) establish the target's reputation and competitive positioning within each local market; (2) establish staffing and wage dynamics; and (3) assess the target's growth opportunities.

Comprehensive Local Market Deep Dive: Gotham undertook an extensive 4-week due diligence effort to establish market, competitive, and labor dynamics in the target's 23 local markets:

- Conducted ~250 anonymous and "warm introduction" interviews with and online survey of hospital and 911 decision makers to establish private ambulance service needs; in-house capabilities, their private ambulance service selection criteria, and the reputation of the target's local brands vs. their competitors
- Conducted an online survey of ~300 EMTs/paramedics to gain insights into: EMT career path, longevity, job satisfaction, compensation, and career development
- Leveraged government and industry data to establish age demographics, insurance coverage, and EMT employment and wage trends at the county level in each local market
- Built a comprehensive database for ambulance service providers (municipal/fire, hospital, volunteer, and private) in each of the target's local markets, including number of ambulances operated
- Identified all hospitals and the hospital systems they belong to and established ambulance service providers and their share for key hospital systems in each local market
- Assessed the target's growth opportunity by establishing achievable market share gain at key hospital systems and identifying available acquisition targets.

\$16B Commercial Ambulance Service Industry Is Growing At 2.7% CAGR, With 911 Calls Accounting For Approximately 60% Of The Commercial Market

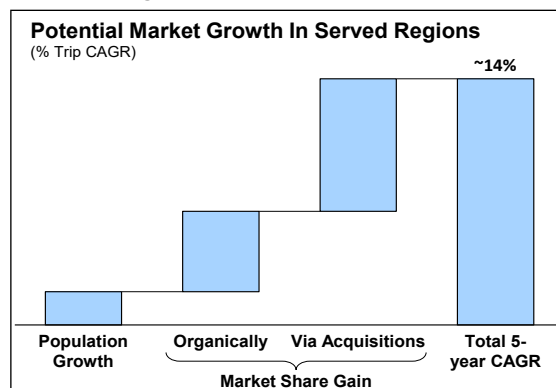
Municipalities offer 911 ambulances as a public service, but the approach varies by municipality – some rely on fire department, while others contract out ambulance services to commercial providers. Typically, these contracts are exclusive and last 2-3 years, with strict performance standards for the ambulance service provider. The outsourcing picture is mixed – some municipalities are bringing their ambulance services in-house as they are better able to attract and retain EMTs/paramedics, while others are looking to transition from volunteer fire departments to commercial ambulance service providers. Hospitals account for the remaining 40% of the commercial market as ambulances are used for patient discharge and interfacility transfers. While some hospitals have their own ambulance service, others have a preferred relationship with an ambulance service provider. Since ambulance availability is of paramount importance, most hospital systems also allow for the use of non-preferred providers, providing an opportunity for smaller players to serve hospital customers. And the demand for interfacility transfer is rising – as hospital networks consolidate, they set up standalone ER facilities, build regional networks, and consolidate specialty departments to fewer hospitals.

Post-COVID Employee Turnover And Wage Dynamics Underscore The Value Of Creating A Pipeline Of EMS Workers

Gotham's EMT/paramedic survey determined that EMT workers are strongly motivated by the excitement of the role and the opportunity to serve others in a healthcare setting, but as commercial ambulance work is a stepping stone to other roles in healthcare, employee retention is an ongoing challenge in the industry, a trend which has been further exacerbated by COVID. Many EMTs work in the field before going to medical school, joining a more desirable government-run EMS program, or begin a career as a nurse or firefighter. Gotham established a need to attract people from other industries to the EMS field by offering a better compensation package, free paramedic training, and career growth opportunities, with these offerings also helping retention.

Ambulance Services Market Is Local and Highly Fragmented By Nature, With Target Well-Positioned To Grow

Due to the nature of licensing and contracting dynamics, the ambulance business is local and very fragmented, with most markets tending to have 2-3 sizable players and a few smaller players. However, in recent years, while still localized, the market has been consolidating with this trend leading to the emergence of multiple national/superregional players. In fact, the target itself has grown by acquiring the leading players in local markets. However, there remain many opportunities for further consolidation, especially in light of increasingly large hospital systems that are seeking more sophisticated ambulance service providers with formal business systems/processes capable of delivering consistent quality of care. Gotham's detailed growth assessment indicated opportunities for the target to acquire competitors within its current local markets that would allow it to achieve incremental ~12% CAGR growth (above population growth) even before geographic expansion into additional markets.



The Outcome: Gotham's detailed local, competitive, and labor market assessment provided clarity on the target's competitive positioning and growth opportunities in local markets and provided comfort re: the wage and labor market dynamics. Armed with a solid and reliable fact base, our client was able to move forward with confidence to close the transaction.