

Wellness Coaches plans to review options in 2016, co-founder says

By Deborah Balslem in Ft. Lauderdale

June 2, 2015

Wellness Coaches USA, a privately-held provider of on-site wellness coaches for employees, plans to explore strategic options next year to accelerate growth, said Jay Vandegrift, president and co-founder.

A partial or full sale to a strategic player or private equity firm are among options the Blue Bell, Pennsylvania company will consider, according to Vandegrift, who said he may hire an advisor next year to run a formal process.

Wellness Coaches anticipates revenue of USD 25m in 2016, a point where being acquired might well serve the company. The company is projecting a revenue run rate in excess of USD 20m this year, compared to revenue of USD 16m-USD 17m in 2014. Its EBITDA margin runs between 15% and 20%, Vandegrift said.

Sale multiples in the space generally are between 6x and 9x EBITDA, according to Vandegrift. However, Jonathan Krieger, managing director at investment bank Berkery Noyes, said multiples among wellness companies can range from 7x to 15x EBITDA and between 1x to 3x revenue.

Wellness Coaches provides on-site wellness coaches that address nutrition, exercise, weight loss, smoking cessation, medication noncompliance, injury prevention and disease management. It has 175 employees.

Though under no pressure to sell, a sale would enable the company, which is operating now with one salesperson, to expand its sales and marketing efforts, according to Vandegrift. Wellness Coaches spent the last few years investing in internal systems and processes, as well as its proprietary software, and is now positioned for enhanced growth, he said.

Given that most companies provide mainly telephonic and/or online services, Vandegrift claimed Wellness Coaches is the largest national provider of onsite wellness coaching. The company is in 400-500 customer locations in 38 states. Clients include **Exxon**, **DuPont**, **Merck**, **MGM**, **Federal Express** and **New York-Presbyterian Hospital**.

Krieger said Wellness Coaches is a very attractive target in a fragmented market that is seeing increased consolidation, driven largely by rising insurance premiums, demographic trends, new reimbursement models and health reform. He believed both PE firms and strategic players would show interest in the company.

Both Krieger and a second industry banker named **Optum**, a subsidiary of **UnitedHealth Group** (NYSE:UNH), and **StayWell**, a division of Vestar Capital Partners-backed **MediMedia**, as potential buyers.

Optum in 2013 acquired **Plus One**, an operator of on-site fitness centers and wellness programs for large corporations. Last year, Optum purchased a majority stake in **Audax Health Solutions**, which offers technology that enables consumers and employees to better manage their health. In March, MediMedia merged its **StayWell Health Management** and **Krames StayWell** divisions into one organization, under the name StayWell, to provide a broader range of wellness and health engagement solutions to employees.

In other 2014 deals, Krieger noted **Quest Diagnostics** (NYSE: DGX) acquired **Summit Health**, a provider of on-site prevention and wellness programs primarily for employers, while Welsh Carson and **Select Medical Holdings** (NYSE:SEM) purchased **Humana's Concentra** subsidiary for approximately USD 1bn. Concentra provides occupational medicine, urgent care, physical therapy and wellness services to employees.

Krieger also pointed to **West Corp's** acquisition last year of **Health Advocate** for approximately USD 265m. Health Advocate, which had 2013 revenue of USD 86m, offers employees wellness coaching, employee assistant programs, nurse line centers, biometrics screenings and chronic-care management consulting.

Vandegrift, who is close to 70 years old, co-founded Wellness Coaches in 2002 with Gene McGuire, chief marketing officer, and Rob Putnam, COO and CFO, both in their 40s. The three own a majority of the company, with a small group of individual investors holding the rest.

The company's corporate advisors include accounting firm Reinsel Kuntz Leshner and law firms Ballard Spahr and Fox Rothschild.

Prior to Wellness Coaches, Vandegrift founded three companies whose business models were based upon the delivery of health care to the workplace. All three - **ArgosyHealth**, **TherapyCare** and **Complete Care Services** – were sold to large strategic players.