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## Ambulance Services

<b>NAICS</b> 62191	<b>SIC</b> 4119-02	<b>BUSINESS/UNITS</b> 28,764	<b>REVENUE</b> \$17.8bn
<b>PROFIT</b> \$1.7bn	<b>WAGES</b> \$8.4bn	<b>ANNUAL GROWTH</b> 0.2% (2,016-2,021) 1.8% (2,021-2,026)	

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## INDUSTRY DESCRIPTION

This industry comprises establishments primarily engaged in providing transportation of patients by ground or air, along with medical care. These services are often provided during a medical emergency but are not restricted to emergencies. The vehicles are equipped with lifesaving equipment operated by medically trained personnel.

## RULES OF THUMB

### ANNUAL REVENUES PLUS INVENTORY

40%

### SDE INCLUDES INVENTORY

2-4.0 x

### EBITDA

2.7-5.2 x

# INDUSTRY MULTIPLES

Acquisition multiples below are calculated medians using US private industry transactions. Data updated annually. Last update: July 2021.

## Valuation Multiple (Median Value)

### Under \$1 Million Net Sales

- MVIC/Net Sales: 0.96
- MVIC/Gross Profit: 0.87
- MVIC/SDE: 2.52
- MVIC/EBITDA: N/A

### \$1 Million - \$5 Million Net Sales

- MVIC/Net Sales: 0.49
- MVIC/Gross Profit: 0.73
- MVIC/SDE: 2.80
- MVIC/EBITDA: 2.80

### Over \$5 Million Net Sales

- MVIC/Net Sales: 1.11
- MVIC/Gross Profit: 1.16
- MVIC/SDE: 7.94
- MVIC/EBITDA: 8.19

**MVIC (Market Value of Invested Capital)** = Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.

**Net Sales** = Annual Gross Sales, net of returns and discounts allowed, if any.

**Gross Profit** = Net Sales - Cost of Goods Sold

**SDE** = Operating Profit + Depreciation + Amortization + Owner's Compensation

**EBITDA** = Operating Profit + Depreciation & Amortization

Source: DealStats (formerly Pratt's Stats), 2021 (Portland, OR: Business Valuation Resources, LLC). DealStats is a robust online database of acquired private company transactions sourced from business brokers, M&A advisors, and SEC filings. Learn more at [www.bvresources.com/dealstats](http://www.bvresources.com/dealstats) (<http://www.bvresources.com/dealstats>) or visit [www.bvresources.com/contribute](http://www.bvresources.com/contribute) (<http://www.bvresources.com/contribute>) to become part of the Contributor Network.

## PRICING TIPS

Every company is different, and the pricing can vary significantly (25 to 35 percent) depending on many factors and business characteristics—types of contracts, tenure, average cost per run, and many other factors. Companies are challenging to get to closing without a highly knowledgeable adviser working on the seller's behalf. Very high chance of deal falling apart in due diligence if proper info is not disclosed and known during negotiations. County/city 911 operations have different ratios and cost structures than NE operations.

## EXPERT RATINGS

### **MARKETABILITY**

2.80 (Low=0.00 : High=4.00)

### **AMOUNT OF RISK**

2.70 (Low=0.00 : High=4.00)

### **EASE OF REPLICATION**

1.40 (Easy=0.00 : Difficult=4.00)

### **AMOUNT OF COMPETITION**

2.10 (Low=0.00 : High=4.00)

### **INDUSTRY TREND**

2.90 (Declining=0.00 : Growing=4.00)

### **HISTORICAL PROFIT TREND**

1.50 (Down=0.00 : Up=4.00)

### **LOCATION AND FACILITIES**

2.10 (Low=0.00 : High=4.00)

## BENCHMARK DATA

Benchmark Data

Statistics (Ambulance Services)

- Number of Establishments: 28,764
- Average Profit Margin: 9.7%
- Revenue per Employee: \$80,800

- Average Number of Employees: 7.9
- Average Wages per Employee: \$38,085

#### Products and Services Segmentation

- Emergency surface ambulance: 64.5%
- Nonemergency surface ambulance: 17.3%
- Emergency air ambulance (fixed wing): 10.0%
- Other services: 5.4%
- Nonemergency air ambulance: 2.1%
- Standby ambulance or first-aid services: 0.7%

#### Major Market Segmentation

- Sprains or strains of neck and back: 21.9%
- Contusion with intact skin surface: 21.5%
- Open wounds: 16.5%
- Fractures: 13.4%
- Sprains or strains (excluding neck and back): 13.2%
- Spinal disorders: 8.8%
- Other: 4.7%

#### Industry Costs

- Profit: 9.7%
- Wages: 47.3%
- Purchases: 7.5%
- Depreciation: 4.2%
- Marketing: 0.6%
- Rent & Utilities: 2.2%
- Other: 28.5%

Most owners are former medics/EMTs and lack proper skill sets to grow companies over \$3M to \$4M in sales. They also lack logistics management and billing expertise. As such, EBITDA in this industry averages 8 to 9 percent, but well-run operations can generate 18 to 23 percent EBITDA consistently with proper management, contracts, payer mix, and good logistics management and proper billing expertise.

#### Expenses (% of Annual Sales)

- Cost of Goods: 02% to 12%
- Occupancy Costs: 01% to 03%

- Payroll/Labor Costs: 50% to 60%
- Profit (pretax): 07% to 22%

Data for Statistics, Products and Services Segmentation, Major Market Segmentation, Industry Costs, Market Share, and Employment Size used by permission IBISWorld <https://www.ibisworld.com> (<https://www.ibisworld.com>)

## QUESTIONS

Payor mix, market share, patient demographic data.

Knowledge of medical billing; logistics management; attention to details.

Except regular financial due diligence, buyers should be watching for lawsuits against the company and traffic tickets. High level of lawsuits and traffic tickets indicates that the business doesn't have good driver education and discipline in place.

Who does billing: in-house or sub out to third party? What software is used? What systems do you have in place and utilize for billing and logistics?

## GENERAL INFORMATION

This is well worth the money spent. Lots of factors to consider when evaluating each company; they are all unique.

"For entrepreneurs who are up to the challenge, this is the perfect time to get into the ambulance service game. Despite the initial obstacles, an aging U.S. population and an increasing demand for urgent medical services virtually guarantee a market for emergency transportation into the foreseeable future.

"That puts existing owners of ambulance services in a good position. Because you operate in an attractive industry, there should be strong market demand from prospective buyers for your business. In addition to individual buyers, many private equity firms and rollup companies may be interested."

Source: <https://www.gaebler.com/Selling-an-Ambulance-Service-591.htm> (<https://www.gaebler.com/Selling-an-Ambulance-Service-591.htm>)

There is great opportunity for growth in this industry due to growing demand for paramedicine and increased interest from municipalities and counties to contract with private ambulance services (as budgets are shrinking and private operators can be more efficient and provide service at lower overall cost, even after subsidy is paid).

Licensing varies state to state and county to county; demanding business; capex costs are much lower than what most investors assume they are.

A new owner needs logistics management and healthcare billing expertise (ideally); it is a demanding business but can generate very good EBITDA margins, if well managed.

Accreditation from the Commission on Accreditation of Ambulance Services (CAAS) is recommended; and a new owner needs strong logistics systems, equipment maintenance, highly trained staff, and licensing and regulatory requirements including CON in some states.

Due diligence process is key to completing a purchase. Buyers should seek the advice of professionals who specialize in this industry.

## INDUSTRY TREND

Labor market is very tight and getting tougher each year. This is driving up payroll costs.

"Since the industry is highly fragmented, many local ambulance providers have struggled to generate revenue. Following the trend of privatization, major industry operators have consolidated. The expanding demographic of individuals aged 65 and older has boosted industry revenue. More public-private partnerships are likely to occur between private ambulance providers and public fire departments. The number of dispatch providers that support texts and video messages from 911 callers is expected to rise. Containing rising healthcare costs will likely be a focal point for industry operators. Industry operators will likely contend with intensifying internal competition."

Source: IBISWorld Industry at a Glance

## EXPERT COMMENTS

Labor costs are rising; larger companies have a big advantage over smaller companies due to recruitment and financial stability, etc.

Smaller companies, under \$3-\$4MM, in cash sales/year will find it much harder to compete in the years ahead. Fleet mileage important for capex considerations. Tough to steal away long-term facility contracts. It's tough for most operators to get from \$3-\$4MM to \$10+MM in net revenues.

Extremely fragmented industry; labor costs are increasing. Labor market and availability of new medics and EMTs are tightening in some markets. Companies over \$8-\$10MM in net revenues rarely come to market. Billing compliance and audit history are critical items in valuation and getting transactions closed. Sizeable seller notes and reserves are very common in deal structure.

## FINANCING

50 to 80 percent cash at closing, but every deal is different and has different risk factors; also there is almost always an escrow amount held at closing for 12 to 24 months due to potential liabilities and risk factors, plus for R&Ws.

Smaller transactions, under \$4MM in value, typically include seller notes of 15% to 30% of purchase price, based on risk factors, billing compliance, etc. Larger transactions are 80% to 90% cash at close, typically. It is very common, for escrow money at closing, for working capital adjustment to be held 90 days post-close for true-up)

Very common to have seller notes included in deal structure; lenders will require 25% to 30% equity from the buyer, and the buyer must have healthcare experience to qualify for loan.

## DISADVANTAGES

Very demanding industry. Hospital and municipal contracts are hard to secure and do not change hands very often. Hospitals have no clue as to reality and have unreal expectations as to levels of service as the doctors "dump" patients all at the same time each day, from 2 to 6 p.m., and this is problematic. You cannot operate with ambulances sitting idle, waiting on discharges.

Primary payer is Medicare. Random audits are common. As such, billing, compliance, and proper documentation are critical to manage and maintain.

Heavy regulations; reimbursement risk; continued consolidation impacting market share; high competition levels; high technology costs

Government occasionally attempts to cut rates and sometimes they succeed. Margins in critical expense categories should be closely monitored.

24/7 business; industry has high turnover in staff; billing can be frustrating to deal with.

## ADVANTAGES

Providing necessary community service. High levels of service drive growth and retention of customers.

Solid EBITDA margins; very high recurring revenues; long-term contracts allow stability and high recurring revenues.

Long-term contracts that are hard to secure and hard to lose, unless customer service falters

High recurring revenues from contracted facilities. Once you get a contract, if you provide a good level of service, the facility may stick with you for 10 to 20 years or longer

Difficult for new competitors to flood the market, in the growth stage.

Can be very lucrative, generating EBITDA margins of 17 to 22 percent if well managed.

Owning this business doesn't require special education or licensing. It can be grown organically. Rapid growth can be achieved by acquiring other similar businesses in the area.

## RESOURCES

AAA—American Ambulance Association—primarily for members - <https://ambulance.org/>

CAAS—Commission on Accreditation of Ambulance Services - <https://www.caas.org>

IBISWorld, April 2021 - <https://www.ibisworld.com>

EMS World - <https://www.emsworld.com>