

Healthcare deal making, as measured by deal volume, has remained steady during the last four quarters. Large, multi-billion dollar deals continue to drive deal values higher.

The first quarter of 2018 recorded 386 transactions, remaining consistent with deal volume in the past four quarters, which each saw approximately 380 transactions. Not since the first quarter of 2017, when there were 439 deals announced, has the market deviated significantly. In terms of deal volume, Q1:18 was down 12.1%, but deal value was significantly higher at \$112.9 billion, up 89.4% as compared to Q1:17. The growth in deal value was largely due to the \$67.0 billion deal announced between Cigna Corporation and Express Scripts Holding Company.

HEALTHCARE M&A QUARTERLY

Q1:18

Deal Volume
386 transactions
in Q1:18

Deal Value
\$112.9 billion
in Q1:18

Value Up
89.4%
from Q1:17

Volume Down
12.1%
from Q1:17



Hospital M&A Activity

Deal volume in the **Hospital** sub-sector saw an uptick of 25.0% in Q1:18 when compared with Q1:17. Some of this increase was fueled by divestitures from publicly traded companies focusing on balance sheets and lowering debt loads.



Public companies with divestitures this quarter include Community Health, Quorum Health, and Tenet Healthcare. Also of note is that in the midst of significant M&A activity, Ascension, the largest Catholic not-for-profit system in the country, broke off merger talks with Providence St. Joseph. Had the transaction closed, the combination of these two entities would have created the largest hospital system in the U.S., with approximately 200 hospitals. The parties terminated discussions in March.

Mega Deal:

\$67.0 billion

On March 8, 2018, **Cigna Corporation (NYSE:CI)** entered into a definitive agreement to acquire **Express Scripts Holding** for



\$67.0 billion. The consideration will consist of \$48.75 in cash and 0.2434 shares of the combined company for every Express Scripts share, representing a 31% premium to ESRX's closing price of \$73.42 on March 7, 2018. The transaction is expected to close by the end of 2018 as ESRX is still in the process of closing its \$3.6 billion purchase of eviCore healthcare.

"Retailization" of Healthcare

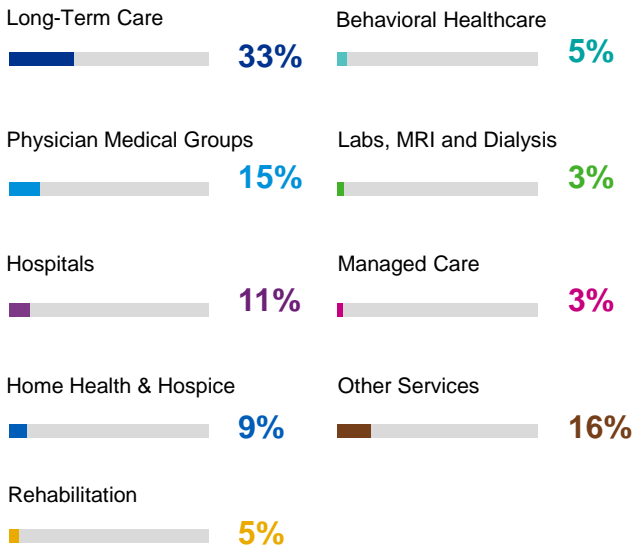
With the growing focus on consumer experience, analysts anticipate this trend will accelerate in the healthcare industry. Walmart and Humana are currently in talks to combine operations, and separately Walmart is reported to be in talks to acquire PillPack, an online pharmacy that helps manage multiple prescriptions. Additionally, in January of this year, Amazon, Berkshire Hathaway, and JP Morgan Chase announced a joint partnership to form a company focused on reducing the healthcare burden on the overall economy while improving outcomes for U.S. employees.



Source: Irving Levin Associates, Inc.

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Healthcare Services M&A Volume

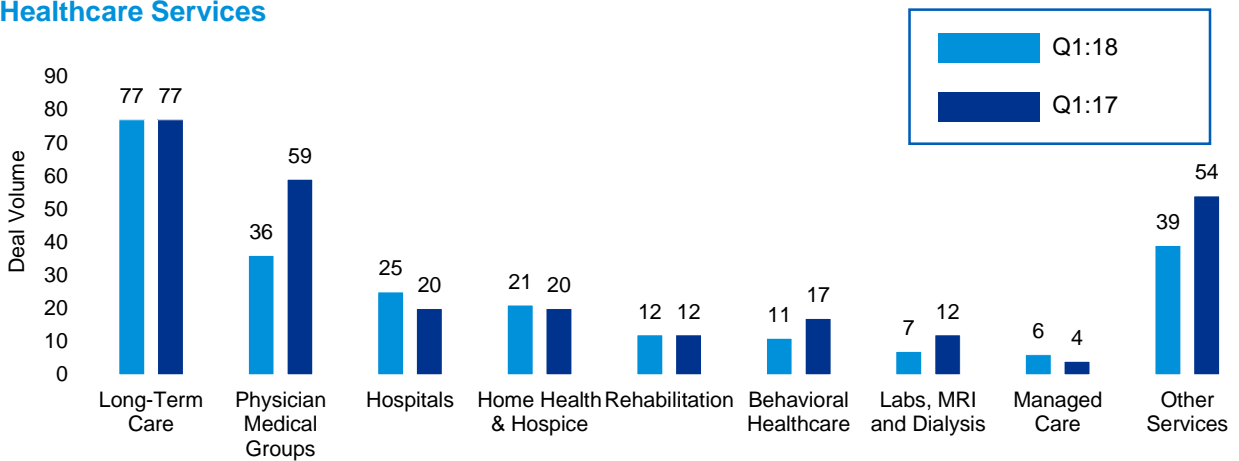


Healthcare Technology M&A Volume

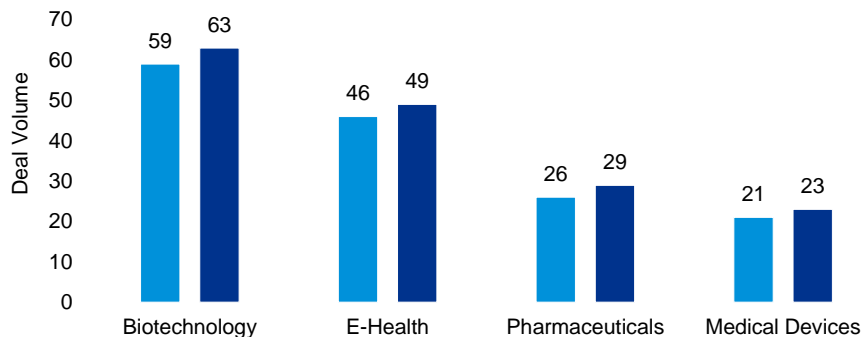


Sub-sector Activity Comparison

Healthcare Services



Healthcare Technology



Source: Irving Levin Associates, Inc.



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Selected Healthcare M&A Transactions - Q1:18 (US\$ in millions)								
Date Announced	Target	Target Country/Region	Buyer	Sub-sector	Implied Enterprise Value (TEV)	TEV / Revenue ⁽⁴⁾	TEV / EBITDA ⁽⁴⁾	
3/8/2018	Express Scripts Holding Company	United States	Cigna Corporation	Healthcare Services	\$67,000	0.7x	9.3x	
1/21/2018	Bioverativ Inc.	United States	Sanofi	Biotechnology	\$11,038	9.4x	23.2x	
1/21/2018	Juno Therapeutics, Inc.	United States	Celgene Corporation	Biotechnology	\$9,556	NM	NM	
1/28/2018	Ablynx NV	Belgium	Sanofi	Biotechnology	\$3,560	NM	NM	
2/15/2018	Flatiron Health, Inc.	United States	Roche Holding AG	Health Care Technology	\$2,174	NA	NA	
2/14/2018	Collaboration on NKTR-214	United States	Bristol-Myers Squibb Company	Pharmaceuticals	\$1,850	NA	NA	
1/29/2018	Sirtex Medical Limited	Australia	CDH Investments	Biotechnology	\$1,808	7.8x	NM	
3/12/2018	iKang Healthcare Group, Inc.	China	Yunfeng Capital; Alibaba Investment Limited	Healthcare Services	\$1,524	2.9x	16.8x	
2/19/2018	CJ HealthCare Corp.	South Korea	CKM Co., Ltd.	Pharmaceuticals	\$1,221	2.5x	NA	
1/7/2018	Impact Biomedicines, Inc.	United States	Celgene Corporation	Life Sciences Tools and Services	\$1,100	NA	NA	

Selected Public Healthcare Companies (US\$ in millions, except per share amounts)										
Company Name	Market Cap	Enterprise Value ⁽¹⁾	Share Price ⁽²⁾	% of 52-Wk High	Latest Twelve Months (LTM)				Enterprise Value	
					Revenue	Revenue Growth	EBITDA ⁽³⁾	EBITDA Margin	LTM Revenue ⁽⁴⁾	LTM EBITDA ⁽⁴⁾
Assisted / Senior Living										
Brookdale Senior Living Inc.	\$1,252	\$5,880	\$6.71	42.8%	\$3,748	(10.6%)	\$606	16.2%	1.6x	9.7x
Capital Senior Living Corporation	\$328	\$1,320	\$10.75	64.3%	\$464	2.5%	\$85	18.4%	2.8x	15.5x
Five Star Senior Living Inc.	\$66	\$32	\$1.30	60.5%	\$1,136	0.1%	\$9	0.8%	0.03x	3.5x
Assisted / Senior Living Mean	\$549	\$2,411		55.9%	\$1,783	(2.7%)	\$233	11.8%	1.5x	9.6x
Assisted / Senior Living Median	\$328	\$1,320		60.5%	\$1,136	0.1%	\$85	16.2%	1.6x	9.7x
Behavioral Health										
Acadia Healthcare Company, Inc.	\$3,459	\$6,629	\$39.18	72.1%	\$2,899	0.9%	\$591	20.4%	2.3x	11.2x
The Providence Service Corporation	\$890	\$873	\$69.14	92.8%	\$1,630	2.1%	\$68	4.2%	0.5x	12.8x
Behavioral Health Mean	\$2,174	\$3,751		82.5%	\$2,265	1.5%	\$329	12.3%	1.4x	12.0x
Behavioral Health Median	\$2,174	\$3,751		82.5%	\$2,265	1.5%	\$329	12.3%	1.4x	12.0x
Diagnostic Imaging										
BioTelemetry, Inc.	\$1,016	\$1,186	\$31.05	79.2%	\$310	50.9%	\$73	23.6%	3.8x	16.2x
Digirad Corporation	\$31	\$50	\$1.55	28.4%	\$118	(4.4%)	\$9	7.5%	0.4x	5.6x
RadNet, Inc.	\$695	\$1,224	\$14.40	99.7%	\$925	3.1%	\$107	11.6%	1.3x	11.4x
Diagnostic Imaging Mean	\$581	\$820		69.1%	\$451	16.5%	\$63	14.3%	1.9x	11.1x
Diagnostic Imaging Median	\$695	\$1,186		79.2%	\$310	3.1%	\$73	11.6%	1.3x	11.4x



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Selected Public Healthcare Companies (US\$ in millions, except per share amounts)										
Company Name	Market Cap	Enterprise Value ⁽¹⁾	Share Price ⁽²⁾	% of 52-Wk High	Latest Twelve Months (LTM)				Enterprise Value	
					Revenue	Revenue Growth	EBITDA ⁽³⁾	EBITDA Margin	LTM Revenue ⁽⁴⁾	LTM EBITDA ⁽⁴⁾
Dialysis										
American Renal Associates Holdings, Inc.	\$605	\$1,096	\$18.85	78.3%	\$763	1.1%	\$100	13.1%	1.4x	10.9x
DaVita Inc.	\$11,950	\$20,706	\$65.94	81.7%	\$11,110	14.0%	\$2,230	20.1%	1.9x	9.3x
Fresenius Medical Care AG & Co. KGaA	\$31,328	\$39,313	\$102.38	88.8%	\$21,204	0.1%	\$3,205	15.1%	1.9x	12.3x
Dialysis Mean	\$14,628	\$20,371		83.0%	\$11,025	5.0%	\$1,845	16.1%	1.7x	10.8x
Dialysis Median	\$11,950	\$20,706		81.7%	\$11,110	1.1%	\$2,230	15.1%	1.9x	10.9x
Distribution										
AmerisourceBergen Corporation	\$18,938	\$20,361	\$86.21	81.1%	\$159,327	6.4%	\$2,381	1.5%	0.1x	8.6x
Cardinal Health, Inc.	\$19,726	\$28,256	\$62.68	75.7%	\$134,426	4.7%	\$3,130	2.3%	0.2x	9.0x
Henry Schein, Inc.	\$10,330	\$11,986	\$67.21	71.9%	\$12,759	8.3%	\$1,029	8.1%	0.9x	11.6x
McKesson Corporation	\$29,067	\$35,405	\$140.87	78.8%	\$205,442	4.6%	\$3,562	1.7%	0.2x	9.9x
Owens & Minor, Inc.	\$961	\$1,758	\$15.55	44.5%	\$9,318	(4.2%)	\$199	2.1%	0.2x	8.8x
Patterson Companies, Inc.	\$2,055	\$3,123	\$22.23	46.0%	\$5,510	(1.6%)	\$358	6.5%	0.6x	8.7x
Distribution Mean	\$13,513	\$16,815		66.3%	\$87,797	3.0%	\$1,777	3.7%	0.4x	9.5x
Distribution Median	\$14,634	\$16,174		73.8%	\$73,593	4.6%	\$1,705	2.2%	0.2x	8.9x
General Acute Care										
Community Health Systems, Inc.	\$443	\$13,816	\$3.96	37.7%	\$14,556	(18.8%)	\$764	5.2%	0.9x	18.1x
Envision Healthcare Corporation	\$4,597	\$10,605	\$38.43	60.0%	\$8,018	65.3%	\$845	10.5%	1.3x	12.6x
HCA Healthcare, Inc.	\$34,165	\$66,438	\$97.00	90.8%	\$44,414	6.1%	\$7,753	17.5%	1.5x	8.6x
LifePoint Health, Inc.	\$1,832	\$4,615	\$47.00	69.2%	\$6,264	(2.3%)	\$658	10.5%	0.7x	7.0x
Tenet Healthcare Corporation	\$2,452	\$6,707	\$24.25	96.1%	\$19,065	(1.7%)	\$2,029	10.6%	0.9x	8.2x
Universal Health Services, Inc.	\$11,163	\$15,120	\$118.41	92.4%	\$10,485	5.6%	\$1,691	16.1%	1.4x	8.9x
General Acute Care Mean	\$9,109	\$21,217		74.4%	\$17,134	9.0%	\$2,290	11.8%	1.1x	10.6x
General Acute Care Median	\$3,524	\$14,468		80.0%	\$12,520	2.0%	\$1,268	10.6%	1.1x	8.8x
Healthcare IT										
Allscripts Healthcare Solutions, Inc.	\$2,234	\$3,644	\$12.35	76.6%	\$1,907	17.9%	\$103	5.4%	1.9x	NM
athenahealth, Inc.	\$5,735	\$5,843	\$143.03	90.1%	\$1,264	13.7%	\$212	16.8%	4.6x	27.6x
Cerner Corporation	\$19,291	\$19,012	\$58.00	78.5%	\$5,073	4.6%	\$1,327	26.2%	3.7x	14.3x
Computer Programs and Systems, Inc.	\$402	\$544	\$29.20	80.8%	\$284	8.4%	\$37	13.1%	1.9x	14.6x
HMS Holdings Corp.	\$1,396	\$1,553	\$16.84	80.6%	\$549	13.5%	\$108	19.7%	2.8x	14.4x
Inovalon Holdings, Inc.	\$1,531	\$1,303	\$10.60	59.6%	\$434	0.1%	\$56	12.8%	3.0x	23.4x
Quality Systems, Inc.	\$870	\$885	\$13.65	76.9%	\$528	4.4%	\$51	9.7%	1.7x	17.4x
Healthcare IT Mean	\$4,494	\$4,683		77.6%	\$1,434	8.9%	\$271	14.8%	2.8x	18.6x
Healthcare IT Median	\$1,531	\$1,553		78.5%	\$549	8.4%	\$103	13.1%	2.8x	16.0x
Home Health and Hospice										
Addus HomeCare Corporation	\$559	\$548	\$48.65	98.2%	\$427	4.5%	\$33	7.7%	1.3x	16.7x
Amedisys, Inc.	\$2,051	\$2,053	\$60.34	91.5%	\$1,543	7.3%	\$138	8.9%	1.3x	14.9x
Chemed Corporation	\$4,410	\$4,500	\$272.86	95.5%	\$1,700	6.8%	\$255	15.0%	2.6x	17.7x
LHC Group, Inc.	\$1,914	\$2,048	\$61.56	80.9%	\$1,109	19.8%	\$89	8.0%	1.8x	23.0x
Home Health and Hospice Mean	\$2,233	\$2,287		91.5%	\$1,195	9.6%	\$129	9.9%	1.8x	18.1x
Home Health and Hospice Median	\$1,982	\$2,050		93.5%	\$1,326	7.1%	\$113	8.5%	1.6x	17.2x
Laboratory										
Laboratory Corporation of America Holdings	\$16,482	\$22,928	\$161.75	89.0%	\$10,641	11.4%	\$2,038	19.1%	2.2x	11.3x
Quest Diagnostics Incorporated	\$13,619	\$17,427	\$100.30	88.8%	\$7,776	4.1%	\$1,520	19.5%	2.2x	11.5x
Laboratory Mean	\$15,051	\$20,178		88.9%	\$9,208	7.7%	\$1,779	19.3%	2.2x	11.4x
Laboratory Median	\$15,051	\$20,178		88.9%	\$9,208	7.7%	\$1,779	19.3%	2.2x	11.4x
LTC/SNF										
Diversicare Healthcare Services, Inc.	\$49	\$133	\$7.52	61.4%	\$575	22.4%	\$27	4.8%	0.2x	4.9x
Genesis Healthcare, Inc.	\$148	\$5,130	\$1.51	56.3%	\$5,277	(6.2%)	\$735	13.9%	1.0x	7.0x
Kindred Healthcare, Inc.	\$836	\$3,970	\$9.15	76.9%	\$6,008	(3.6%)	\$385	6.4%	0.7x	10.3x
National HealthCare Corporation	\$908	\$837	\$59.63	78.8%	\$971	3.8%	\$102	10.5%	0.9x	8.2x
The Ensign Group, Inc.	\$1,354	\$1,611	\$26.30	89.9%	\$1,900	10.9%	\$149	7.8%	0.8x	10.8x
LTC/SNF Mean	\$659	\$2,336		72.7%	\$2,946	5.5%	\$280	8.7%	0.7x	8.2x
LTC/SNF Median	\$836	\$1,611		76.9%	\$1,900	3.8%	\$149	7.8%	0.8x	8.2x



Selected Public Healthcare Companies
(US\$ in millions, except per share amounts)

Company Name	Market Cap	Enterprise Value ⁽¹⁾	Share Price ⁽²⁾	% of 52-Wk High	Latest Twelve Months (LTM)				Enterprise Value	
					Revenue	Revenue Growth	EBITDA ⁽³⁾	EBITDA Margin	LTM Revenue ⁽⁴⁾	LTM EBITDA ⁽⁴⁾
Managed Care										
Aetna Inc.	\$55,253	\$60,326	\$169.00	86.9%	\$60,705	(3.1%)	\$6,257	10.3%	1.0x	9.6x
Anthem, Inc.	\$56,182	\$72,959	\$219.70	82.0%	\$90,063	3.4%	\$5,736	6.4%	0.8x	12.7x
Magellan Health, Inc.	\$2,605	\$3,198	\$107.10	97.5%	\$6,338	26.1%	\$226	3.6%	0.5x	14.1x
UnitedHealth Group Incorporated	\$207,080	\$226,664	\$214.00	85.3%	\$207,624	9.8%	\$17,259	8.3%	1.1x	13.1x
WellCare Health Plans, Inc.	\$8,622	\$5,606	\$193.63	87.3%	\$17,699	20.8%	\$710	4.0%	0.3x	7.9x
Managed Care Mean	\$65,949	\$73,751		87.8%	\$76,486	11.4%	\$6,038	6.5%	0.7x	11.5x
Managed Care Median	\$55,253	\$60,326		86.9%	\$60,705	9.8%	\$5,736	6.4%	0.8x	12.7x
PBM / Specialty Pharmacy										
BioScrip, Inc.	\$314	\$837	\$2.46	72.6%	\$817	(12.7%)	\$43	5.2%	1.0x	19.6x
CVS Health Corporation	\$63,172	\$88,385	\$62.21	74.1%	\$185,944	4.0%	\$12,619	6.8%	0.5x	7.0x
Express Scripts Holding Company	\$38,791	\$52,495	\$69.08	81.2%	\$100,179	0.03%	\$7,097	7.1%	0.5x	7.4x
PBM / Specialty Pharmacy Mean	\$34,092	\$47,239		75.9%	\$95,647	(2.9%)	\$6,586	6.4%	0.7x	11.3x
PBM / Specialty Pharmacy Median	\$38,791	\$52,495		74.1%	\$100,179	0.03%	\$7,097	6.8%	0.5x	7.4x
Physical Rehab										
Encompass Health Corporation	\$5,611	\$8,155	\$57.17	96.4%	\$4,008	8.0%	\$758	18.9%	2.0x	10.8x
Select Medical Holdings Corporation	\$2,313	\$4,950	\$17.25	87.2%	\$4,526	6.8%	\$497	11.0%	1.1x	10.0x
U.S. Physical Therapy, Inc.	\$1,030	\$1,064	\$81.30	92.9%	\$421	15.9%	\$59	14.0%	2.5x	18.1x
Physical Rehab Mean	\$2,985	\$4,723		92.2%	\$2,985	10.2%	\$438	14.6%	1.9x	12.9x
Physical Rehab Median	\$2,313	\$4,950		92.9%	\$4,008	8.0%	\$497	14.0%	2.0x	10.8x
Physician Practice Mgmt.										
Civitas Solutions, Inc.	\$578	\$1,285	\$15.40	77.2%	\$1,511	6.3%	\$149	9.9%	0.9x	8.6x
MEDNAX, Inc.	\$5,193	\$6,975	\$55.63	80.0%	\$3,525	7.9%	\$582	16.5%	2.0x	12.0x
Physician Practice Mgmt. Mean	\$2,885	\$4,130		78.6%	\$2,518	7.1%	\$365	13.2%	1.4x	10.3x
Physician Practice Mgmt. Median	\$2,885	\$4,130		78.6%	\$2,518	7.1%	\$365	13.2%	1.4x	10.3x
Staffing										
AMN Healthcare Services, Inc.	\$2,714	\$3,018	\$56.75	93.3%	\$2,016	4.5%	\$248	12.3%	1.5x	12.2x
ASGN Incorporated	\$4,272	\$4,813	\$81.88	95.1%	\$2,685	8.0%	\$295	11.0%	1.8x	16.3x
Cross Country Healthcare, Inc.	\$405	\$478	\$11.11	73.6%	\$868	2.8%	\$40	4.6%	0.6x	11.9x
Staffing Mean	\$2,464	\$2,770		87.3%	\$1,856	5.1%	\$194	9.3%	1.3x	13.5x
Staffing Median	\$2,714	\$3,018		93.3%	\$2,016	4.5%	\$248	11.0%	1.5x	12.2x

Source: Capital IQ

All figures in US\$, where applicable, converted at rates as of March 31, 2018

(1) As shown, Enterprise Value defined as Market Capitalization plus Preferred Stock and Net Debt

(2) Closing share prices as of March 31, 2018

(3) EBITDA reduced to account for minority interest expense

(4) EV/Revenue and EV/EBITDA multiples of >7.0x and >30.0x respectively are considered as "NM"



Selected Recent Transactions*

KPMG



ADVANTMED
has received growth investment from



KPMG



has been acquired by



KPMG



has acquired



KPMG



Baxter
form-fill-seal (FFS) infusion business
divestiture to




KPMG




EPL ARCHIVES
has been acquired by



KPMG



Biocomposites
has been acquired by



KPMG



SEASTAR CHEMICALS
has been acquired by



KPMG




Sividon Diagnostics
has been acquired by



KPMG



AnGes
has invested in



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