

Healthcare M&A activity experienced a slight drop in Q2'15, after registering growth for the last five consecutive quarters

While deal volume for the quarter slipped from an impressive 362 transactions in the first quarter of the year to 312 transactions in the second quarter, healthcare continues to remain one of the most active spaces for M&A in the U.S. In Q2 2015, the industry totaled \$54.2 billion in deal value, which included 10 transactions that exceeded \$1 billion. Healthcare targets continue to attract high premiums, primarily attributable to regulatory changes, industry-wide consolidation, and strong macroeconomic trends.

HEALTHCARE **M&A** QUARTERLY

Q2:15

Deal Volume
312 transactions
in Q2:15

Deal Value
\$54.2 billion
in Q2:15

Down
4.0%
from Q2:14

Down
60.1%
from Q2:14



Long-Term Care



Long-term care was the most active sector volume-wise, with 64 announced transactions accounting for ~36% of the total deals in the quarter. REITs displayed the most M&A activity, with 14 deals announced.

With the U.S. Supreme Court's June 25th ruling which upheld the subsidies paid to lower income individuals through the federal health care exchanges, consolidation in the **Managed Care** sector is expected to gain pace. However, a challenge for the impending consolidation could be FTC's regulatory action as the major players act to further consolidate the market.

Mega Deal:

\$47.3 Billion



On June 20, **Anthem Inc. (NYSE: ANTM)** offered to acquire **Cigna Corp. (NYSE: CI)** for Anthem shares and cash. The combined company would

have \$115 billion in annual revenue and cover 53 million people. Health plans say consolidation among health insurers is needed as trends driven in part by the Affordable Care Act demand they keep administrative costs in check. Additionally, insurers are seeking to cover larger populations of patients in order to spread risk.

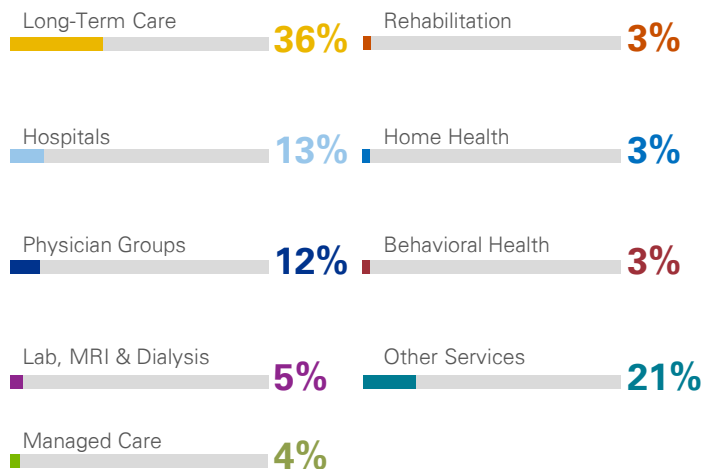
Other Activity:



The **Pharmacy** sector had an active quarter with **CVS health** announcing acquisitions of **Omnicare** and the pharmacy and walk-in clinic business of **Target**. **Urgent care** and **ambulatory surgery centers** were also strong targets for acquirers.

Source: Irving Levin Associates, Inc.
Note: FTC implied Federal Trade Commission

Healthcare Services M&A Volume

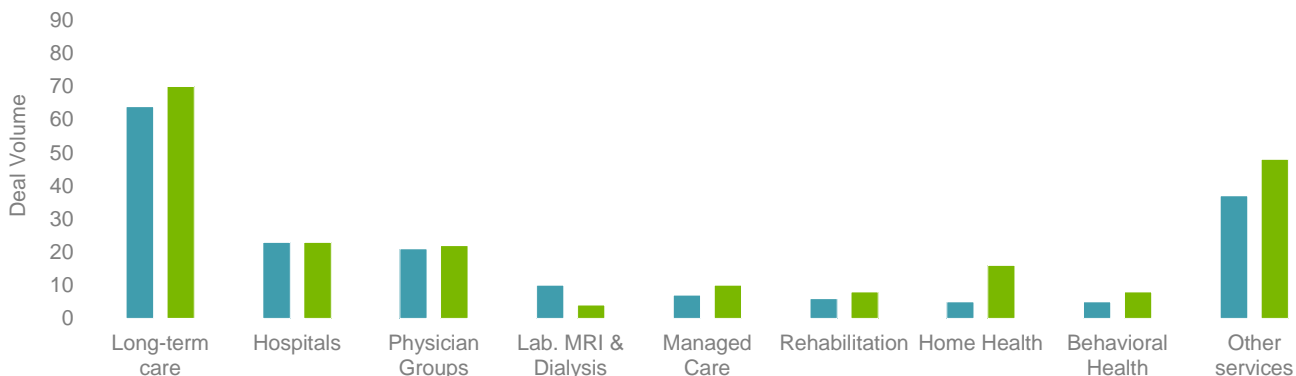


Healthcare Technology M&A Volume

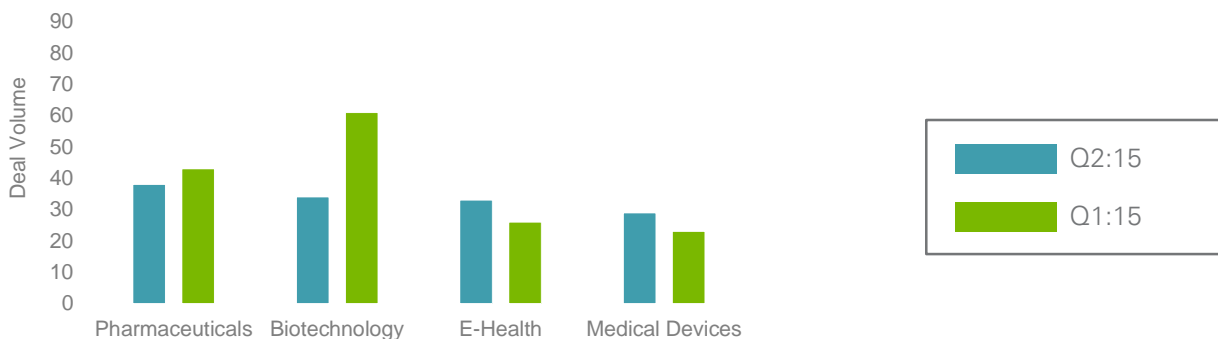


Sub-sector Activity Comparison

Healthcare Services



Healthcare Technology



Source: Irving Levin Associates, Inc.
 Note: FTC implied Federal Trade Commission

Selected U.S. Healthcare M&A Transactions - Q2:15
(US\$ in millions)

Date Announced	Target	Target Country/Region	Buyer	Sub-sector	Implied Enterprise Value (TEV)	TEV / Revenue	TEV / EBITDA
6/20/2015	Cigna Corp.	United States	Anthem, Inc.	Managed Healthcare	50,731.9	1.4x	13.1x
6/16/2015	Welch Allyn, Inc.	United States	Hill-Rom Holdings, Inc.	Healthcare Equipment	2,051.0	-	-
6/3/2015	Bio-Reference Laboratories Inc.	United States	Opko Health, Inc.	Healthcare Services	1,516.0	1.7x	13.1x
5/27/2015	DepoMed Inc.	United States	Horizon Pharma USA, Inc.	Pharmaceuticals	2,150.8	6.2x	10.5x
5/20/2015	Omnicare Inc.	United States	CVS Pharmacy, Inc.	Healthcare Services	11,308.9	1.7x	15.0x
5/18/2015	Par Pharmaceutical Holdings, Inc.	United States	Endo International plc	Pharmaceuticals	10,203.3	7.4x	21.7x
5/11/2015	IOD Incorporated	United States	HealthPort Incorporated	Health Care Technology	-	-	-
5/5/2015	Synageva BioPharma Corp.	United States	Alexion Pharmaceuticals, Inc.	Biotechnology	8,245.0	NM	NM
4/8/2015	MedExpress Urgent Care, PLLC	United States	Optum, Inc.	Healthcare Facilities	1,500.0	-	-
4/6/2015	AHS Medical Holdings LLC	United States	Ventas, Inc.	Healthcare Facilities	1,750.0	0.9x	-

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

Company Name	Latest Twelve Months (LTM)								Enterprise Value	
	Market Cap	Enterprise Value ⁽¹⁾	Share Price ⁽²⁾	% of 52-Wk High	Revenue	Revenue Growth	EBITDA ⁽³⁾	EBITDA Margin	LTM Revenue	LTM EBITDA
Ambulatory Surgery										
Am Surg Corp.	3,387	5,686	69.95	96.0%	1,933	82.6%	332	17.2%	2.9x	17.1x
Ambulatory Surgery Mean	3,387	5,686		96.0%	1,933	82.6%	332	17.2%	2.9x	17.1x
Ambulatory Surgery Median	3,387	5,686		96.0%	1,933	82.6%	332	17.2%	2.9x	17.1x
Assisted / Senior Living										
Brookdale Senior Living Inc.	6,530	12,888	34.70	87.0%	3,753	45.9%	676	18.0%	3.4x	19.1x
Capital Senior Living Corp.	722	1,377	24.50	88.3%	388	11.2%	67	17.2%	3.5x	20.7x
Five Star Quality Care Inc.	235	274	4.80	92.1%	1,112	2.2%	20	1.8%	NM	13.8x
Assisted / Senior Living Mean	2,496	4,846		89.1%	1,751	19.8%	254	12.3%	3.5x	17.8x
Assisted / Senior Living Median	722	1,377		88.3%	1,112	11.2%	67	17.2%	3.5x	19.1x
Behavioral Health										
Acadia Healthcare Company, Inc.	5,609	7,625	78.33	99.8%	1,169	55.1%	243	20.8%	NM	NM
Providence Service Corp.	710	1,121	44.28	79.1%	1,698	50.1%	95	5.6%	0.7x	11.9x
Behavioral Health Mean	3,160	4,373		89.4%	1,433	52.6%	169	13.2%	0.7x	11.9x
Behavioral Health Median	3,160	4,373		89.4%	1,433	52.6%	169	13.2%	0.7x	11.9x
Dental Practice Management										
Birner Dental Management Services Inc.	24	34	15.65	87.3%	65	0.9%	4	5.5%	0.5x	9.5x
Dental Practice Management Mean	24	34		87.3%	65	0.9%	4	5.5%	0.5x	9.5x
Dental Practice Management Median	24	34		87.3%	65	0.9%	4	5.5%	0.5x	9.5x
Diagnostic Imaging										
Alliance Healthcare Services, Inc.	198	701	18.69	60.3%	440	(0.8%)	102	23.1%	1.6x	6.9x
RadNet, Inc.	296	897	6.69	64.6%	730	4.4%	103	14.1%	1.2x	8.7x
Diagnostic Imaging Mean	247	799		62.5%	585	1.8%	102	18.6%	1.4x	7.8x
Diagnostic Imaging Median	247	799		62.5%	585	1.8%	102	18.6%	1.4x	7.8x

Source: Capital IQ

Selected Public Healthcare Companies (US\$ in millions, except per share amounts)										
Company Name	Latest Twelve Months (LTM)								Enterprise Value	
	Market Cap	Enterprise Value ⁽¹⁾	Share Price ⁽²⁾	% of 52-Wk High	Revenue	Revenue Growth	EBITDA ⁽³⁾	EBITDA Margin	LTM Revenue	LTM EBITDA
Dialysis										
DaVita HealthCare Partners Inc.	17,081	24,146	79.47	93.3%	13,027	8.8%	2,259	17.3%	1.9x	10.7x
Fresenius Medical Care AG & Co. KGAA	25,054	33,796	68.81	75.1%	16,982	11.6%	2,755	16.2%	2.0x	12.3x
Dialysis Mean	21,068	28,971		84.2%	15,004	10.2%	2,507	16.8%	1.9x	11.5x
Dialysis Median	21,068	28,971		84.2%	15,004	10.2%	2,507	16.8%	1.9x	11.5x
Distribution										
AmerisourceBergen Corporation	23,361	25,031	106.34	88.1%	132,080	17.5%	1,586	1.2%	NM	15.8x
Cardinal Health, Inc.	27,674	28,494	83.65	91.0%	102,531	12.6%	2,642	2.6%	NM	10.8x
Henry Schein, Inc.	11,884	12,661	142.12	97.0%	10,419	5.0%	850	8.2%	1.2x	14.9x
McKesson Corporation	52,229	56,686	224.81	92.3%	183,115	23.2%	4,165	2.3%	NM	13.6x
Omnicare Inc.	9,075	10,862	94.25	97.6%	6,629	6.4%	770	11.6%	1.6x	14.1x
Owens & Minor Inc.	2,145	2,561	34.00	93.5%	9,691	5.9%	258	2.7%	NM	9.9x
Patterson Companies, Inc.	4,889	5,215	48.65	94.5%	4,375	7.7%	429	9.8%	1.2x	12.1x
PharMerica Corporation	1,012	1,313	33.30	98.2%	1,954	10.4%	131	6.7%	0.7x	10.0x
Distribution Mean	16,534	17,853		94.0%	56,349	11.1%	1,354	5.6%	1.2x	12.7x
Distribution Median	10,480	11,762		94.0%	10,055	9.0%	810	4.7%	1.2x	12.9x
General Acute Care										
Community Health Systems, Inc.	7,433	24,261	62.97	96.9%	19,374	41.1%	2,779	14.3%	1.3x	8.7x
HCA Holdings, Inc.	37,587	66,540	90.72	97.5%	37,762	9.2%	7,172	19.0%	1.8x	9.3x
LifePoint Health, Inc.	3,853	5,784	86.95	100.0%	4,963	27.0%	616	12.4%	1.2x	9.4x
Tenet Healthcare Corp.	5,743	17,892	57.88	91.0%	17,117	35.4%	2,017	11.8%	1.0x	8.9x
Universal Health Services Inc.	14,079	17,187	142.10	98.7%	8,576	13.2%	1,515	17.7%	2.0x	11.3x
General Acute Care Mean	13,739	26,333		96.8%	17,558	25.2%	2,820	15.0%	1.4x	9.5x
General Acute Care Median	7,433	17,892		97.5%	17,117	27.0%	2,017	14.3%	1.3x	9.3x
Healthcare IT										
Allscripts Healthcare Solutions, Inc.	2,576	3,060	13.68	79.7%	1,372	0.4%	64	4.6%	2.2x	NM
athenahealth, Inc.	4,417	4,623	114.58	74.8%	835	24.2%	62	7.4%	5.5x	NM
Cerner Corporation	23,762	23,704	69.06	91.2%	3,527	20.0%	1,002	28.4%	NM	23.7x
Computer Programs & Systems Inc.	605	564	53.42	80.1%	193	(5.1%)	43	22.5%	2.9x	13.0x
HMS Holdings Corp.	1,520	1,584	17.17	72.5%	449	(6.5%)	88	19.7%	3.5x	18.0x
MedAssets, Inc.	1,332	2,189	22.06	86.3%	750	9.8%	219	29.2%	2.9x	10.0x
Quality Systems Inc.	999	869	16.57	88.4%	494	9.2%	52	10.5%	1.8x	16.7x
Healthcare IT Mean	5,030	5,227		81.8%	1,089	7.4%	219	17.5%	3.1x	16.3x
Healthcare IT Median	1,520	2,189		80.1%	750	9.2%	64	19.7%	2.9x	16.7x
Home Health & Hospice										
Addus HomeCare Corporation	307	303	27.86	95.4%	323	17.7%	23	7.3%	0.9x	12.9x
Almost Family Inc.	380	429	39.91	80.3%	504	17.5%	33	6.6%	0.9x	13.0x
Amedisys Inc.	1,338	1,433	39.73	91.1%	1,204	1.0%	89	7.4%	1.2x	16.2x
Chemed Corp.	2,239	2,372	131.10	97.7%	1,496	6.3%	205	13.7%	1.6x	11.6x
LHC Group, Inc.	687	731	38.25	92.6%	745	15.3%	58	7.8%	1.0x	12.6x
Home Health & Hospice Mean	990	1,054		91.4%	854	11.5%	82	8.5%	1.1x	13.3x
Home Health & Hospice Median	687	731		92.6%	745	15.3%	58	7.4%	1.0x	12.9x

Source: Capital IQ

Selected Public Healthcare Companies

(US\$ in millions, except per share amounts)

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	Market Cap	Enterprise Value ⁽¹⁾	Share Price ⁽²⁾	% of 52-Wk High	Revenue	Revenue Growth	EBITDA ⁽³⁾	EBITDA Margin	LTM Revenue	LTM EBITDA
Laboratory										
Bio-Reference Laboratories Inc.	1,147	1,192	41.25	88.3%	882	16.1%	116	13.1%	1.4x	10.3x
Laboratory Corp. of America Holdings	12,170	18,670	121.22	92.4%	7,056	20.7%	1,413	20.0%	2.6x	13.2x
Quest Diagnostics Inc.	10,416	14,176	72.52	81.5%	7,551	5.0%	1,429	18.9%	1.9x	9.9x
Laboratory Mean	7,911	11,346		87.4%	5,163	13.9%	986	17.4%	2.0x	11.1x
Laboratory Median	10,416	14,176		88.3%	7,056	16.1%	1,413	18.9%	1.9x	10.3x
LTC/SNF										
Diversicare Healthcare Services Inc.	80	133	12.90	75.2%	362	29.3%	21	5.9%	NM	6.3x
Genesis Healthcare, Inc.	1,013	5,850	6.60	70.8%	4,925	0.0%	423	8.6%	1.2x	13.8x
Kindred Healthcare Inc.	1,693	4,768	20.29	81.4%	5,431	13.4%	352	6.5%	0.9x	13.5x
National Healthcare Corp.	924	927	64.99	97.8%	884	9.8%	106	12.0%	1.0x	8.7x
The Ensign Group, Inc.	1,300	1,235	51.06	94.8%	1,094	18.2%	98	9.0%	1.1x	12.6x
LTC/SNF Mean	1,002	2,583		84.0%	2,539	14.1%	200	8.4%	1.1x	11.0x
LTC/SNF Median	1,013	1,235		81.4%	1,094	13.4%	106	8.6%	1.1x	12.6x
Managed Care										
Aetna Inc.	44,509	51,600	127.46	94.8%	59,103	14.2%	4,950	8.4%	0.9x	10.4x
Anthem, Inc.	43,421	59,887	164.14	94.6%	76,608	6.3%	6,587	8.6%	0.8x	9.1x
Magellan Health, Inc.	1,908	1,831	70.07	96.0%	4,044	8.2%	236	5.8%	NM	7.8x
UnitedHealth Group Incorporated	116,132	125,694	122.00	98.3%	138,211	9.7%	12,292	8.9%	0.9x	10.2x
WellCare Health Plans, Inc.	3,736	3,463	84.83	89.2%	13,444	31.1%	264	2.0%	NM	13.1x
Managed Care Mean	41,941	48,495		94.6%	58,282	13.9%	4,866	6.7%	0.9x	10.1x
Managed Care Median	43,421	51,600		94.8%	59,103	9.7%	4,950	8.4%	0.9x	10.2x
PBM / Specialty Pharmacy										
BioScrip, Inc.	249	699	3.63	41.5%	1,006	21.6%	(45)	(4.4%)	0.7x	NM
Express Scripts Holding Company	64,863	76,307	88.94	96.2%	102,445	1.9%	6,794	6.6%	0.7x	11.2x
PBM / Specialty Pharmacy Mean	32,556	38,503		68.8%	51,726	11.8%	3,375	1.1%	0.7x	11.2x
PBM / Specialty Pharmacy Median	32,556	38,503		68.8%	51,726	11.8%	3,375	1.1%	0.7x	11.2x
Physical Rehab										
HEALTHSOUTH Corp.	4,214	6,347	46.06	95.7%	2,678	16.3%	558	20.8%	2.4x	11.4x
Select Medical Holdings Corporation	2,124	3,717	16.20	94.2%	3,052	3.5%	346	11.3%	1.2x	10.7x
US Physical Therapy Inc.	679	707	54.76	99.2%	308	15.6%	43	14.0%	2.3x	16.3x
Physical Rehab Mean	2,339	3,590		96.4%	2,013	11.8%	316	15.4%	2.0x	12.8x
Physical Rehab Median	2,124	3,717		95.7%	2,678	15.6%	346	14.0%	2.3x	11.4x
Physician Practice Management										
MEDNAX, Inc.	6,931	7,772	74.11	98.0%	2,593	13.5%	590	22.7%	3.0x	13.2x
Physician Practice Mgmt. Mean	6,931	7,772		98.0%	2,593	13.5%	590	22.7%	3.0x	13.2x
Physician Practice Mgmt. Median	6,931	7,772		98.0%	2,593	13.5%	590	22.7%	3.0x	13.2x
Staffing										
AMN Healthcare Services Inc.	1,502	1,729	31.59	98.9%	1,123	12.2%	96	8.5%	1.5x	18.1x
Cross Country Healthcare, Inc.	408	476	12.68	93.9%	686	53.7%	21	3.0%	0.7x	23.1x
On Assignment Inc.	2,063	2,321	39.28	96.4%	1,934	12.6%	184	9.5%	1.2x	12.6x
Team Health Holdings, Inc.	4,705	5,508	65.33	96.4%	3,018	23.2%	308	10.2%	1.8x	17.9x
Staffing Mean	2,170	2,508		96.4%	1,690	25.4%	152	7.8%	1.3x	17.9x
Staffing Median	1,783	2,025		96.4%	1,528	17.9%	140	9.0%	1.4x	18.0x

Source: Capital IQ

All figures in US\$; where applicable, converted at rates as of June 30, 2015

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

(2) Closing share prices as of June 30, 2015

(3) EBITDA reduced to account for minority interest expense

Deer Meadows
Retirement Community

has been acquired by

Catholic Health Care Services
ARCHDIOCESE OF PHILADELPHIA
Caring For Seniors

has been acquired by

KabaFusion
Patient-Focused Infusion Therapy

has been recapitalized by

R Advantage
Patient Safety Through Innovation
A portfolio company of Jemison Investment Co., Inc. and Stonehenge Growth Capital

has been acquired by

CITIZENS CHOICE
HEALTHPLAN-IMO

has been acquired by

BeneSys
A portfolio company of

has been acquired by

Global Coverage. Industry Knowledge. Middle-Market Focus.

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