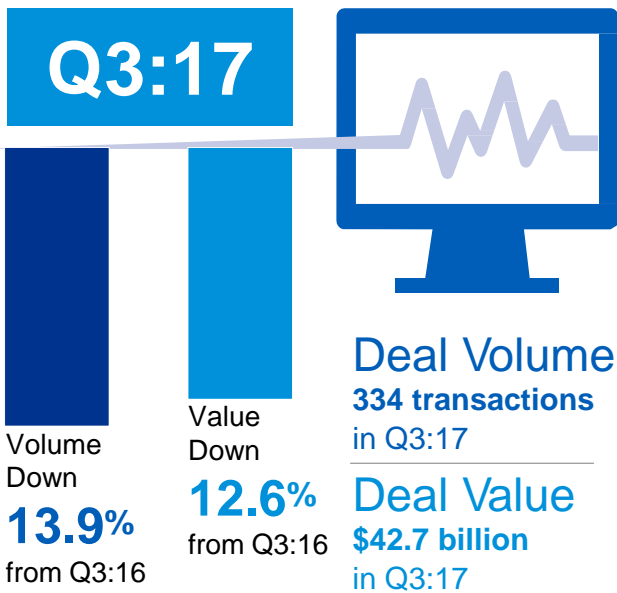


U.S. deal making activity softened in the third quarter of 2017, with the fewest number of deals and lowest amount of total deal values in 2017 and the third quarter of the prior year

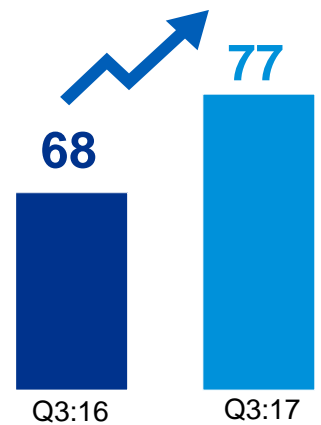
The third quarter of 2017 included 334 transactions which was ~14% lower than the deals in third quarter of 2016. Even with a large deal of ~\$12 billion by Gilead Sciences, Inc., the total deal value for the third quarter of 2017 was lower by ~13% or \$42.7 billion in the quarter. Repeated unsuccessful attempts to repeal and replace the Affordable Care Act, and the general uncertainty surrounding pending government regulations within the healthcare industry have required many strategic investors to be patient.

HEALTHCARE M&A QUARTERLY



Sponsor Backed M&A Activity

Middle-market private equity firms have faced increased competition from strategic buyers. However, during the third quarter of 2017, **financial buyers** accounted for 23% of the total deal volume, the highest proportion in the last five quarters, with **77** total transactions. Financial sponsor investment in healthcare companies is expected to continue despite a slowdown in the overall M&A market.



Mega Deal:



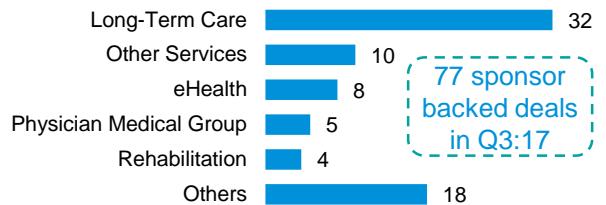
\$11.9 billion

On August 28, 2017, **Gilead Sciences, Inc.** entered into a definitive agreement to acquire **Kite Pharma, Inc.** Shareholders of Kite will

receive \$180 per share, representing a 29% premium to Kite's August 25, 2017 closing price. The deal will help Gilead with their strategic initiative to build a cell therapy franchise by leveraging Kite's manufacturing capabilities, portfolio of technologies, and most advanced therapy candidate, axi-cel.

Source: Irving Levin Associates, Inc.

Prominent Sub-Sectors

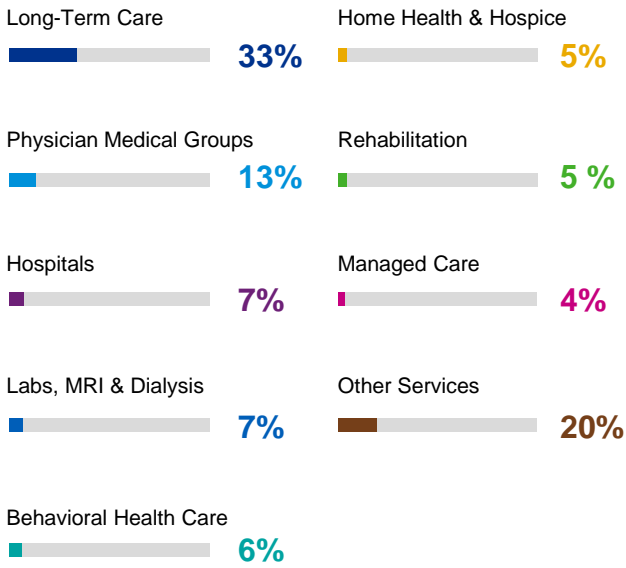


Most Active Private Equity Firms

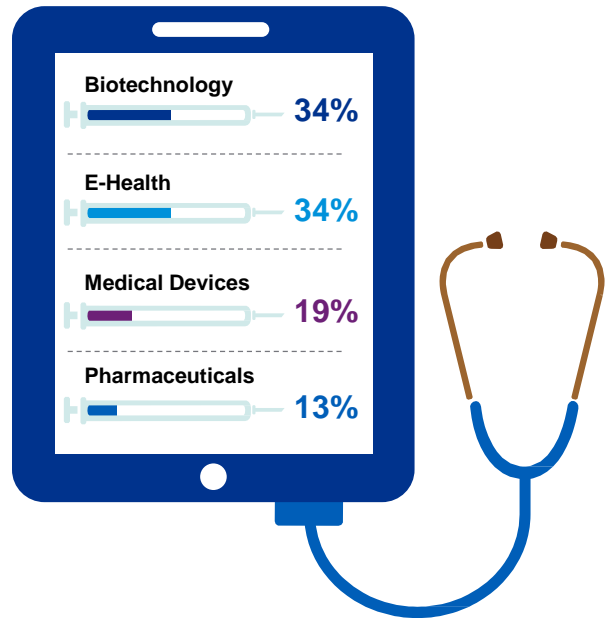


KKR & Co., either directly or through its portfolio companies, made three of the largest acquisitions during Q3:17. The Ares Management, L.P. acquisition of DuPage Medical Group was another notable PE deal at \$1.45 billion.

Healthcare Services M&A Volume

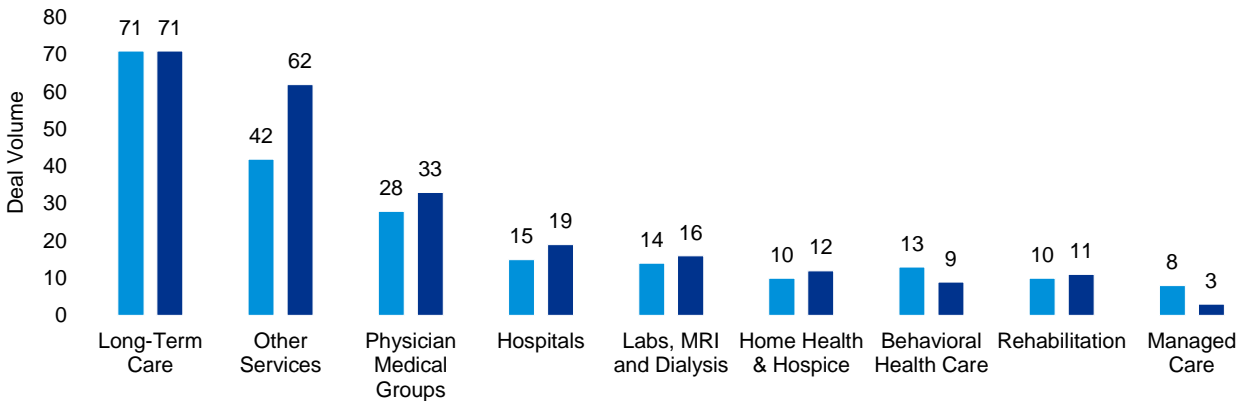


Healthcare Technology M&A Volume

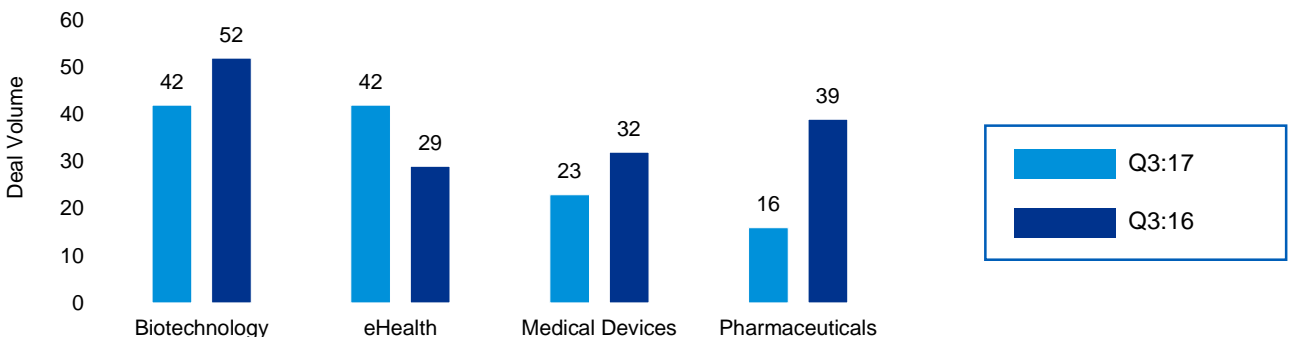


Sub-sector Activity Comparison

Healthcare Services



Healthcare Technology



Source: Irving Levin Associates, Inc.



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Selected Healthcare M&A Transactions - Q3:17
(US\$ in millions)

Date Announced	Target	Target Country/Region	Buyer	Sub-sector	Implied Enterprise Value (TEV)	TEV / Revenue ⁽⁴⁾	TEV / EBITDA ⁽⁴⁾
9/18/2017	Cook Pharmica LLC	United States	Catalent Pharma Solutions, Inc.	Life Sciences Tools and Services	\$950	5.3x	NA
9/11/2017	Teva Women's Health, Inc., Global Rights and Business of PARAGARD Intrauterine Device	United States	CooperSurgical Inc.	Healthcare Equipment	\$1,100	6.5x	NA
9/4/2017	NeoTract, Inc.	United States	Teleflex Urology Limited	Healthcare Equipment	\$1,100	NM	NA
8/31/2017	Argon Medical Devices, Inc.	United States	Weigao International Medical Hong Kong Limited	Healthcare Equipment	\$850	3.8x	12.5x
8/27/2017	Kite Pharma, Inc.	United States	Gilead Sciences, Inc.	Biotechnology	\$11,905	NM	NM
8/7/2017	American Medical Response, Inc.	United States	Air Medical Group Holdings, Inc.	Healthcare Services	\$2,400	NA	NA
8/7/2017	Nxstage Medical, Inc.	United States	Fresenius Medical Care Holdings, Inc.	Healthcare Equipment	\$2,013	5.3x	NM
8/3/2017	IFM Therapeutics, Inc.	United States	Bristol-Myers Squibb Company	Biotechnology	\$1,310	NA	NA
8/1/2017	PharMerica Corporation	United States	KKR & Co. L.P.; Walgreens Boots Alliance, Inc.; KKR Americas Fund XII LP	Healthcare Distributors	\$1,363	0.6x	10.3x
7/6/2017	Ambry Genetics Corp.	United States	Innovation Network Corporation of Japan; Konica Minolta Healthcare Americas, Inc.	Healthcare Services	\$1,000	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 ⁽⁴⁾	
					Revenue	Revenue Growth	EBITDA ⁽³⁾	EBITDA Margin	LTM Revenue	LTM EBITDA
Assisted / Senior Living										
Brookdale Senior Living Inc.	\$1,975	\$6,982	\$10.60	59.9%	\$3,961	-7.1%	\$702	17.7%	1.8x	9.9x
Capital Senior Living Corporation	\$381	\$1,375	\$12.55	70.2%	\$464	6.0%	\$80	17.1%	3.0x	17.3x
Five Star Senior Living Inc.	\$78	\$118	\$1.55	51.0%	\$1,130	-0.4%	\$13	1.1%	0.1x	9.3x
Assisted / Senior Living Mean	\$811	\$2,825		60.3%	\$1,852	-0.5%	\$265	12.0%	1.6x	12.2x
Assisted / Senior Living Median	\$381	\$1,375		59.9%	\$1,130	-0.4%	\$80	17.1%	1.8x	9.9x
Behavioral Health										
Acadia Healthcare Company, Inc.	\$4,197	\$7,392	\$47.76	87.9%	\$2,815	8.1%	\$575	20.4%	2.6x	12.9x
The Providence Service Corporation	\$730	\$754	\$54.08	98.3%	\$1,603	2.4%	\$65	4.0%	0.5x	11.6x
Behavioral Health Mean	\$2,464	\$4,073		93.1%	\$2,209	5.3%	\$320	12.2%	1.5x	12.3x
Behavioral Health Median	\$2,464	\$4,073		93.1%	\$2,209	5.3%	\$320	12.2%	1.5x	12.3x
Diagnostic Imaging										
BioTelemetry, Inc.	\$1,068	\$1,060	\$33.00	84.2%	\$238	23.8%	\$47	19.7%	4.5x	22.7x
Digirad Corporation	\$69	\$87	\$3.45	60.7%	\$119	7.9%	\$11	9.2%	0.7x	8.0x
RadNet, Inc.	\$546	\$1,161	\$11.55	97.1%	\$912	4.1%	\$114	12.5%	1.3x	10.2x
Diagnostic Imaging Mean	\$561	\$769		80.6%	\$423	12.0%	\$57	13.8%	2.2x	13.6x
Diagnostic Imaging Median	\$546	\$1,060		332.7%	\$238	7.9%	\$47	12.5%	1.3x	10.2x



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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 ⁽⁴⁾	
					Revenue	Revenue Growth	EBITDA ⁽³⁾	EBITDA Margin	LTM Revenue	LTM EBITDA
Dialysis										
American Renal Associates Holdings, Inc.	\$468	\$963	\$14.97	58.9%	\$750	3.4%	\$78	10.3%	1.3x	12.4x
DaVita Inc.	\$11,355	\$19,511	\$59.39	84.6%	\$15,213	4.6%	\$2,276	15.0%	1.3x	8.6x
Fresenius Medical Care AG & Co. KGAA	\$30,019	\$38,713	\$97.94	93.0%	\$19,761	3.8%	\$3,284	16.6%	2.0x	11.8x
Dialysis Mean	\$13,947	\$19,729		78.9%	\$11,908	3.9%	\$1,879	14.0%	1.5x	10.9x
Dialysis Median	\$11,355	\$19,511		84.6%	\$15,213	3.8%	\$2,276	15.0%	1.3x	11.8x
Distribution										
AmerisourceBergen Corporation	\$18,131	\$20,606	\$82.75	84.6%	\$153,144	4.3%	\$2,417	1.6%	0.1x	8.5x
Cardinal Health, Inc.	\$21,094	\$24,740	\$66.92	78.8%	\$130,578	4.0%	\$3,034	2.3%	0.2x	8.2x
Henry Schein, Inc.	\$12,964	\$14,300	\$81.99	87.7%	\$12,264	8.5%	\$983	8.0%	1.2x	14.5x
McKesson Corporation	\$32,298	\$37,895	\$153.61	90.7%	\$201,955	4.0%	\$3,726	1.8%	0.2x	10.2x
Owens & Minor, Inc.	\$1,788	\$2,310	\$29.20	78.9%	\$9,297	-5.5%	\$125	2.3%	0.2x	10.8x
Patterson Companies, Inc.	\$3,617	\$4,694	\$38.65	78.5%	\$5,565	-0.2%	\$400	7.2%	0.8x	11.7x
PharMerica Corporation	\$912	\$1,331	\$29.30	99.7%	\$2,288	10.2%	\$135	5.9%	0.6x	9.9x
Distribution Mean	\$12,972	\$15,125		85.5%	\$73,584	3.6%	\$1,559	4.2%	0.5x	10.5x
Distribution Median	\$12,964	\$14,300		84.6%	\$12,264	4.0%	\$983	2.3%	0.2x	10.2x
General Acute Care										
Community Health Systems, Inc.	\$860	\$14,897	\$7.68	65.4%	\$16,764	-10.7%	\$1,577	9.4%	0.9x	9.4x
Envision Healthcare Corporation	\$5,361	\$11,267	\$44.95	60.1%	\$7,207	139.5%	\$837	11.6%	1.6x	13.5x
HCA Healthcare, Inc.	\$28,752	\$59,663	\$79.59	87.4%	\$42,693	3.9%	\$7,506	17.6%	1.4x	7.9x
LifePoint Health, Inc.	\$2,323	\$5,097	\$57.90	81.6%	\$6,406	4.5%	\$736	11.5%	0.8x	6.9x
Tenet Healthcare Corp.	\$1,656	\$16,312	\$16.43	68.1%	\$19,061	-3.7%	\$1,639	8.6%	0.9x	10.0x
Universal Health Services, Inc.	\$10,613	\$14,661	\$110.94	85.5%	\$10,243	6.6%	\$1,679	16.4%	1.4x	8.7x
General Acute Care Mean	\$8,261	\$20,316		74.7%	\$17,062	23.4%	\$2,329	12.5%	1.2x	9.4x
General Acute Care Median	\$3,842	\$14,779		74.8%	\$13,503	4.2%	\$1,608	11.6%	1.1x	9.1x
Healthcare IT										
Allscripts Healthcare Solutions, Inc.	\$2,570	\$3,823	\$14.23	98.5%	\$1,714	16.6%	\$130	7.6%	2.2x	29.3x
athenahealth, Inc.	\$4,966	\$5,174	\$124.36	78.4%	\$1,179	12.1%	\$130	11.0%	4.4x	NM
Cerner Corporation	\$23,648	\$23,555	\$71.32	98.7%	\$4,988	7.7%	\$1,387	27.8%	4.7x	17.0x
Computer Programs and Systems, Inc.	\$397	\$538	\$29.55	81.7%	\$263	6.7%	\$28	10.5%	2.0x	19.6x
HMS Holdings Corp.	\$1,669	\$1,858	\$19.86	89.2%	\$498	1.1%	\$95	19.1%	3.7x	19.5x
Inovalon Holdings, Inc.	\$2,486	\$2,206	\$17.05	95.8%	\$431	-4.7%	\$73	17.0%	5.1x	NM
Quality Systems, Inc.	\$997	\$1,018	\$15.73	88.7%	\$524	6.0%	\$59	11.3%	1.9x	17.2x
Healthcare IT Mean	\$5,248	\$5,453		90.1%	\$1,371	6.5%	\$272	14.9%	3.5x	20.5x
Healthcare IT Median	\$2,486	\$2,206		89.2%	\$524	6.7%	\$95	11.3%	3.7x	19.5x
Home Health and Hospice										
Addus HomeCare Corporation	\$406	\$434	\$35.30	86.6%	\$416	10.5%	\$34	8.2%	1.0x	12.7x
Almost Family, Inc.	\$750	\$863	\$53.70	85.3%	\$750	21.8%	\$41	5.4%	1.2x	21.2x
Amedisys, Inc.	\$1,895	\$1,927	\$55.96	84.9%	\$1,472	5.8%	\$115	7.8%	1.3x	16.7x
Chemed Corporation	\$3,231	\$3,342	\$202.05	93.5%	\$1,642	4.4%	\$238	14.5%	2.0x	14.0x
LHC Group, Inc.	\$1,297	\$1,346	\$70.92	99.0%	\$1,004	13.8%	\$84	8.4%	1.3x	16.0x
Home Health and Hospice Mean	\$1,516	\$1,582		89.9%	\$1,057	11.3%	\$103	8.9%	1.4x	16.1x
Home Health and Hospice Median	\$1,297	\$1,346		86.6%	\$1,004	10.5%	\$84	8.2%	1.3x	16.0x
Laboratory										
Laboratory Corporation of America Holdings	\$15,369	\$21,186	\$150.97	91.9%	\$9,892	6.4%	\$1,895	19.2%	2.1x	11.2x
Quest Diagnostics Incorporated	\$12,773	\$16,277	\$93.64	82.9%	\$7,634	1.7%	\$1,381	18.1%	2.1x	11.8x
Laboratory Mean	\$14,071	\$18,731		87.4%	\$8,763	4.1%	\$1,638	18.6%	2.1x	11.5x
Laboratory Median	\$14,071	\$18,731		87.4%	\$8,763	4.1%	\$1,638	18.6%	2.1x	11.5x
LTC/SNF										
Diversicare Healthcare Services, Inc.	\$74	\$162	\$11.50	89.7%	\$565	45.3%	\$29	5.1%	0.3x	5.6x
Genesis Healthcare, Inc.	\$110	\$5,334	\$1.16	24.4%	\$5,350	-5.4%	\$715	13.4%	1.0x	7.5x
Kindred Healthcare, Inc.	\$592	\$3,688	\$6.80	57.1%	\$6,996	6.7%	\$394	5.6%	0.5x	9.4x
National HealthCare Corporation	\$951	\$890	\$62.57	79.2%	\$959	3.9%	\$102	10.7%	0.9x	8.7x
The Ensign Group, Inc.	\$1,149	\$1,394	\$22.59	96.7%	\$1,795	12.5%	\$127	7.1%	0.8x	11.0x
LTC/SNF Mean	\$575	\$2,294		69.4%	\$3,133	12.6%	\$274	8.4%	0.7x	8.4x
LTC/SNF Median	\$592	\$1,394		79.2%	\$1,795	6.7%	\$127	7.1%	0.8x	8.7x



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 ⁽⁴⁾	
					Revenue	Revenue Growth	EBITDA ⁽³⁾	EBITDA Margin	LTM Revenue	LTM EBITDA
Managed Care										
Aetna Inc.	\$52,744	\$58,278	\$159.01	96.7%	\$61,410	-1.7%	\$6,005	9.8%	0.9x	9.7x
Anthem, Inc.	\$49,860	\$62,804	\$189.88	95.4%	\$89,056	6.8%	\$5,716	6.4%	0.7x	11.0x
Magellan Health, Inc.	\$2,043	\$2,398	\$86.30	99.5%	\$5,408	11.7%	\$247	4.6%	0.4x	9.7x
UnitedHealth Group Incorporated	\$189,360	\$206,364	\$195.85	97.6%	\$196,633	8.7%	\$15,953	8.1%	1.0x	12.9x
WellCare Health Plans, Inc.	\$7,644	\$4,793	\$171.74	92.9%	\$16,180	13.8%	\$700	4.3%	0.3x	6.8x
Managed Care Mean	\$60,330	\$66,928		96.4%	\$73,737	7.9%	\$5,724	6.6%	0.7x	10.0x
Managed Care Median	\$49,860	\$58,278		96.7%	\$61,410	8.7%	\$5,716	6.4%	0.7x	9.7x
PBM / Specialty Pharmacy										
BioScrip, Inc.	\$351	\$864	\$2.75	80.2%	\$875	-6.9%	\$35	4.0%	1.0x	24.4x
CVS Health Corporation	\$82,667	\$107,262	\$81.32	91.5%	\$182,351	5.6%	\$12,330	6.8%	0.6x	8.7x
Express Scripts Holding Company	\$36,570	\$49,204	\$63.32	81.7%	\$99,549	-2.0%	\$7,117	7.1%	0.5x	6.9x
PBM / Specialty Pharmacy Mean	\$39,863	\$52,443		84.4%	\$94,258	-1.1%	\$6,494	6.0%	0.7x	13.4x
PBM / Specialty Pharmacy Median	\$36,570	\$49,204		81.7%	\$99,549	-2.0%	\$7,117	6.8%	0.6x	8.7x
Physical Rehab										
HealthSouth Corporation	\$4,576	\$7,146	\$46.35	93.2%	\$3,844	7.5%	\$751	19.5%	1.9x	9.5x
Select Medical Holdings Corporation	\$2,552	\$5,117	\$19.20	98.0%	\$4,299	2.1%	\$469	10.9%	1.2x	10.9x
U.S. Physical Therapy, Inc.	\$773	\$827	\$61.45	78.8%	\$392	12.5%	\$56	14.4%	2.1x	14.7x
Physical Rehab Mean	\$2,634	\$4,364		90.0%	\$2,845	7.4%	\$425	14.9%	1.7x	11.7x
Physical Rehab Median	\$2,552	\$5,117		93.2%	\$3,844	7.5%	\$469	14.4%	1.9x	10.9x
Physician Practice Mgmt.										
Civitas Solutions, Inc.	\$689	\$1,297	\$18.45	88.0%	\$1,456	4.3%	\$150	10.3%	0.9x	8.6x
MEDNAX, Inc.	\$3,994	\$5,715	\$43.12	59.8%	\$3,378	9.2%	\$599	17.7%	1.7x	9.5x
Physician Practice Mgmt. Mean	\$2,342	\$3,506		73.9%	\$2,417	6.7%	\$375	14.0%	1.3x	9.1x
Physician Practice Mgmt. Median	\$2,342	\$3,506		73.9%	\$2,417	6.7%	\$375	14.0%	1.3x	9.1x
Staffing										
AMN Healthcare Services, Inc.	\$2,191	\$2,506	\$45.70	99.5%	\$1,967	8.3%	\$240	12.2%	1.3x	10.4x
Cross Country Healthcare, Inc.	\$519	\$521	\$14.23	86.9%	\$868	7.9%	\$38	4.4%	0.6x	13.7x
On Assignment, Inc.	\$2,835	\$3,395	\$53.68	96.7%	\$2,568	7.1%	\$269	10.5%	1.3x	12.6x
Staffing Mean	\$1,848	\$2,141		94.3%	\$1,801	7.8%	\$182	9.0%	1.1x	12.2x
Staffing Median	\$2,191	\$2,506		96.7%	\$1,967	7.9%	\$240	10.5%	1.3x	12.6x

Source: Capital IQ

All figures in US\$; where applicable, converted at rates as of September 30, 2017

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

(2) Closing share prices as of September 30, 2017

(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

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