



# Healthcare Services

*Quarterly Update*  
*Third Quarter 2017*



CAPITAL PLACEMENTS • MERGERS, ACQUISITIONS & DIVESTITURES • RESTRUCTURINGS

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## Q3 2017 Highlights

### November, 2017

Transaction volume in healthcare M&A for Q3 2017 totaled 334 transactions, 14% lower than the same period in 2016 and 10% lower than the preceding quarter, according to preliminary figures from Irving Levin Associates Inc. Deal value in Q3 2017 totaled \$42.8 billion, 12% lower than the same period in 2016. The services sector remained strong in Q3 2017, with 211 transactions accounting for 63% of the total volume. Managed care transactions were up 167% from the same time last year led by Centene Corporation's (NYSE: CNC) \$3.8 billion deal to acquire not-for-profit Fidelis Care as an initiative to enter the State of New York, the second largest managed care state by membership in the U.S. eHealth transactions increased 45% as revenue cycle management companies remain a strong investment opportunity for financial buyers. As of mid-September, 52% of revenue cycle management targets were acquired by private equity firms or other PE-backed eHealth platform companies. The behavioral health sector was also active in the quarter with a 44% increase in transactions over the same period last year as strategic and financial buyers seek to capitalize on significant industry fragmentation and growing demand that currently outstrips supply. Recent legislative changes have expanded the availability of behavioral healthcare services and have opened new channels for industry activity.

Since the beginning of 2016, the financial performance of hospitals and health systems in the U.S. has significantly declined. Companies including HCA Healthcare Inc. (NYSE: HCA), the largest for-profit hospital operator, and Tenet Healthcare Corp. (NYSE: THC) have reported a sizable deterioration in their latest quarterly results and cut their forecasts for the remainder of the year. Across many facilities, increases in operating expenses outpaced growth in revenues. After a modest surge in inpatient admissions from the Affordable Care Act's coverage expansion in the fall of 2014, hospitals have settled in to a lengthy period of declining hospital admissions.

Government payers are implementing policies that restrict reimbursements for services that can be performed outside a hospital. Anthem, Inc. (NYSE: ANTM) recently announced that it will no longer reimburse providers for MRIs and CT scans performed at a hospital in an outpatient setting. Anthem plans to implement the policy in 13 of its 14 states by March 2018, with only New Hampshire exempt from the new policy. Anthem will also cease paying for Emergency Department care it deems unnecessary. Payers are working to bring costs down by pushing patients to lower acuity settings as compared with hospitals. Additionally, payers are working to reduce costs in other ways such as buying surgical centers and creating networks themselves that encourage members to use alternative (i.e., less expensive) services. Going forward, payers will continue to look for more ways to cut costs, including reviewing elective services performed in hospitals.

Medicare is pushing more volume to outpatient services. These changes, along with changes from payers, such as Anthem, are putting a huge strain on hospital operations across the country as joint replacement and imaging are some of the most lucrative service lines for hospitals. It will be difficult for hospitals to augment the lost reimbursement, thus forcing hospitals to look for cost savings in other areas such as staffing cuts and efficiencies in supplies. Rural hospital operations are especially stressed. Since 2010, 82 rural hospitals have closed nationwide. As many as 700 more are at risk of closing within the next 10 years, according to the National Rural Health Association, a nonprofit professional organization that lobbies on behalf of rural health issues. With higher levels of obesity, diabetes, and hypertension, rural hospital closures are hitting the Southern part of the U.S. the hardest. One in five adults in the South report having poor health and 15% of non-elderly residents are uninsured, according to the Kaiser Family Foundation, five percentage points higher than the rest of the country. Also, compounding the issue, the South has the largest cluster of states that have not expanded Medicaid under the Affordable Care Act: Alabama, Florida, Georgia, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas and Virginia.

We welcome your comments and hope you find our SOLICONNECT report informative.



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 *Recent Representative Transaction*



Pioneer Hospital of Aberdeen (“Pioneer of Aberdeen”) is a critical access hospital based in Aberdeen, Mississippi. Pioneer of Aberdeen provides a wide variety of services including acute care hospital services, surgical services, comprehensive physical, speech, and occupational therapy, swing beds, inpatient and outpatient behavioral health programs, sleep center, a 19-room assisted living unit and a 28-independent living unit. Additionally, Pioneer is a Level IV designated Trauma Facility, providing essential 24/7 emergency care services.

SOLIC served as exclusive financial advisor in leading a competitive auction process, structuring and negotiating the terms of a §363 sale agreement of Pioneer to Boa Vida Hospital of Aberdeen, a healthcare investor.



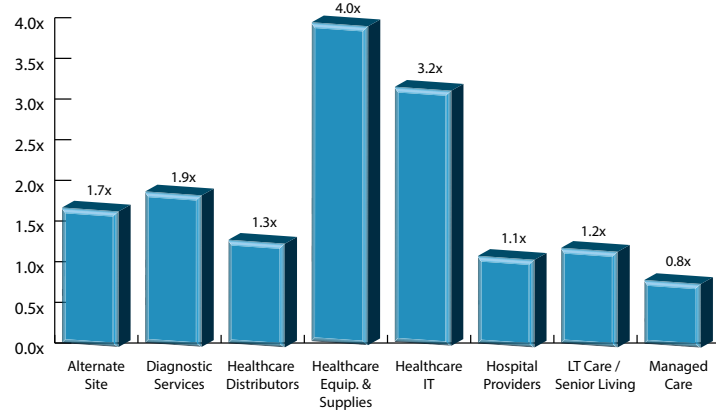
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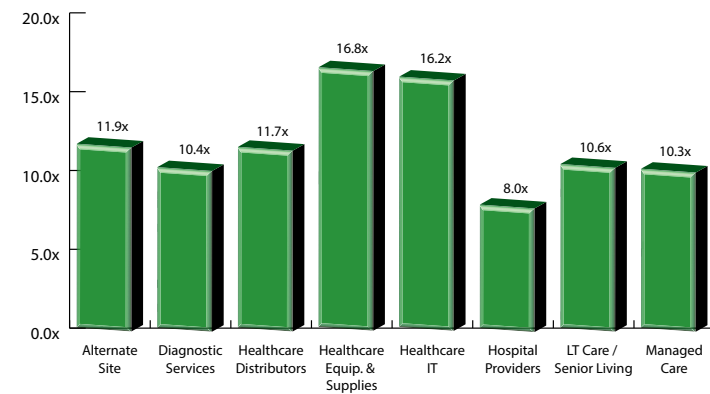
# Market Overview



## Enterprise Value To Revenue

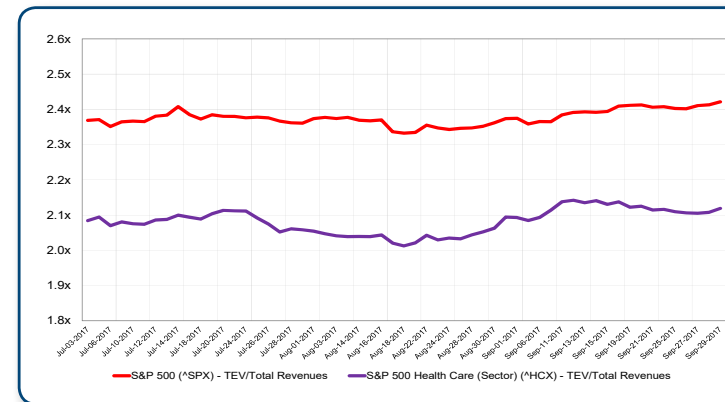


## Enterprise Value To EBITDA

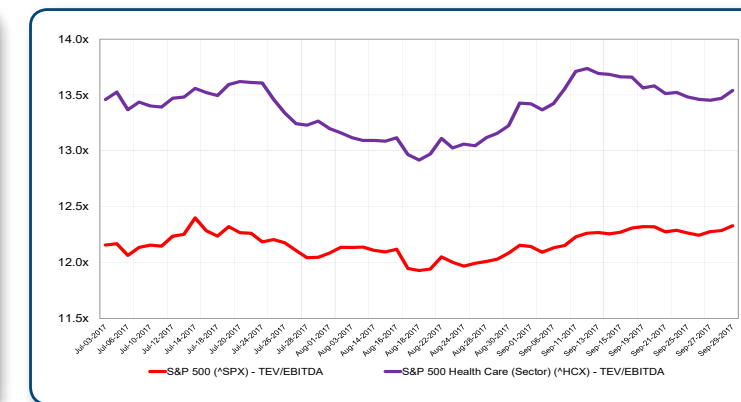


Revenue and EBITDA multiples for the S&P 500 and the healthcare sector increased in Q3 2017.

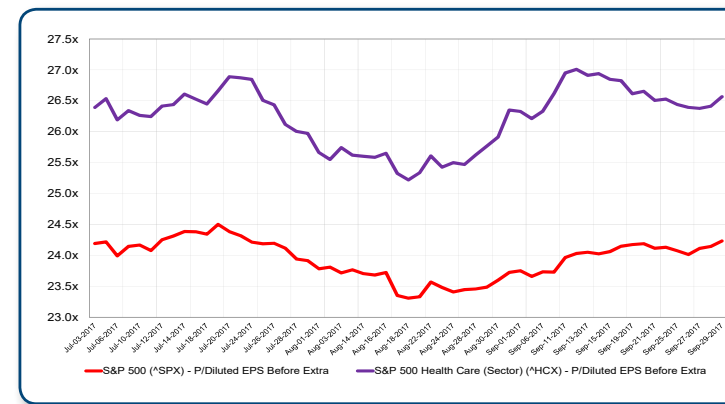
## S&P Healthcare Index vs. the S&P 500 Total Enterprise Value / Revenue



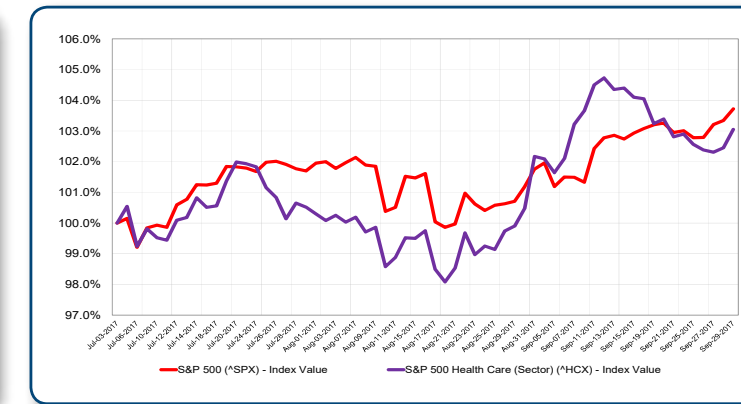
## S&P Healthcare Index vs. the S&P 500 Total Enterprise Value / EBITDA



## S&P Healthcare Index vs. the S&P 500 Price / Diluted EPS



## S&P Healthcare Index vs. the S&P 500 Relative Performance (%)





# Notable Industry Developments



**Anthem Says No to Many Scans Done by Hospital-Owned Clinics**

Health insurer Anthem will no longer allow many patients to get MRI or CT scans at hospital-owned outpatient facilities, requiring them to use independent imaging centers instead. The insurer began phasing in these changes in July and expects to finish by March 2018. Anthem says the change is aimed at providing high-quality, safe care while reducing medical costs. The policy doesn't apply to mammograms or X-rays. In rural areas that lack at least two imaging centers that aren't owned by hospitals, outpatient scans from hospitals will still be approved.

**Cost-Conscious Insurers and Hospitals Will Continue to Pressure Pricing and Revenues for Medical Device Companies**

While the specific mechanisms for pressure will depend on the outcome of the U.S. healthcare policy debate, the pressure will persist no matter how that debate evolves. Device companies are looking to gain pricing power by offering healthcare providers innovative products that enable them to reduce their costs. Examples include Boston Scientific Corp.'s Spyglass technology, which includes a specialized camera that enables a surgeon to view the full area when removing stones from the pancreas or gall bladder. This allows the surgeon to clear all stones in a single procedure, minimizing hospital readmissions and therefore costs.

**For-Profit Hospitals Face Multiple Headwinds That Will Pressure Profit Margins**

For-profit hospitals are employing a range of strategies – from new technology to outsourcing to acquisitions – in order to cope. According to a recent Moody's report, in addition to weak inpatient volumes – which hurt margins because of the high fixed costs of running a hospital – companies are experiencing increasing bad debt expense from rising co-pays and deductibles. Nursing shortages and wage inflation are increasing salary, wages and benefits costs, as is the employment of more physicians. Rising costs of pharmaceuticals and medical devices and supplies, while moderating, are also pressuring margins. At the same time, opportunities in areas where hospitals previously made good profits are diminishing as payors seek ways to reduce costs. Most hospitals lose money on many Medicare and Medicaid procedures. As a result, hospitals earn much of their profits from certain areas or procedures, and on patients that are covered by private insurance. These areas, however, are rapidly coming under attack from payors.

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**Reimbursement Ranks as the Number One Barrier to Telehealth Expansion**

The number one barrier healthcare organizations cite as a hindrance to expanding their telehealth programs is reimbursement, according to a joint report out of KLAS Research and the College of Healthcare Information Management Executives (CHIME). For the report, KLAS Research and CHIME surveyed C-suite executives and managers from 104 hospitals and clinics with established telehealth programs about patient and provider experiences. The telehealth programs took a range of forms, including telespecialty consultations, scheduled patient-focused visits and on-demand consumer-focused visits. The top factors respondents reported that limit their ability to expand telehealth programs include: Reimbursement: 59%; Cost/resources: 34%; Patient/provider awareness/education: 25%; Licensing/regulation: 20%; and High-speed internet access: 6%.

**Intensifying Top-Line Pressures, Including Weak Volumes and a Shifting Payor Mix, Have Significant Cost Implications for the Ambulatory Surgery Center (ASC) Sector**

ASCs will need to derive strategies to curb margin erosion. Near term, ASCs will likely focus on cost cutting, but Moody's expects that longer-term, ASCs will benefit as more medical procedures are performed on an outpatient basis, given the savings ASCs provide the health system.

**Escalating Costs and Slower Revenue Growth Spur Hospital Consolidation**

Not-for-profit hospitals are facing rising costs at a time of slower revenue growth, driving lower margins. Limited pricing flexibility poses a challenge as both private and public payors reduce or slow their reimbursement rate increases. Small independent hospitals, particularly those in rural locations, are disproportionately affected by rising costs as they compete for labor with larger wealthier hospitals. To compensate, hospitals are consolidating to gain negotiating leverage with payors and to reduce costs through scale. Mergers that are financially dilutive are credit negative. But for smaller hospitals that are acquired by strong organizations, M&A is credit positive. According to a recent Moody's report, rising expenses make it increasingly difficult for not-for-profit hospitals to counter slower revenue growth. The median expense growth rate for Moody's hospital portfolio has accelerated for two consecutive years, increasing 6.6% in 2015 and 7.2% in 2016, and outpaced the 6.0% revenue growth in 2016.

## Selected M&A Transactions

Date	Target	Buyer	Enterprise Value (\$ mm)	Enterprise Value / Revenue	Enterprise Value / EBITDA
<b>Alternate Site</b>					
08/14/17	<b>DuPage Medical Group</b>	<b>Ares Management (NYSE:ARES)</b>	\$1,400.0	n/a	n/a
Description:	Ares Management (NYSE:ARES) made a capital infusion into DuPage Medical Group, a multi-specialty physician group. Dupage Medical Group was founded in 1999 and is based in Downers Grove, IL.				
08/08/17	<b>American Medical Reponse, Inc.</b>	<b>Air Medical Group Holdings</b>	\$2,400.0	n/a	n/a
Description:	Envision Healthcare Corporation (Envision) (NYSE: EVHC) and an entity controlled by funds affiliated with KKR have entered into a definitive agreement under which KKR's portfolio company, Air Medical Group Holdings, and Envision's medical transportation subsidiary, American Medical Response (AMR), will combine to create a new industry leading medical transportation company. AMR is headquartered in Greenwood Village, CO and provides service in 40 states and the District of Columbia.				
08/06/17	<b>AAC Holdings, Inc. (NYSE:AAC) - Four Behavioral Health Facilities</b>	<b>MedEquities Realty Trust (NYSE: MRT)</b>	\$25.0	n/a	n/a
Description:	MedEquities Realty Trust (NYSE:MRT) signed a definitive agreement to acquire four behavioral health and substance abuse treatment facilities from subsidiaries of AAC Holdings, Inc. (NYSE: AAC). The AAC facilities are located in Las Vegas, NV, and Dallas, TX.				
07/05/17	<b>Nine Clinic Physical Therapy Practice</b>	<b>U.S. Physical Therapy, Inc.</b>	\$16.3	n/a	n/a
Description:	U.S. Physical Therapy, Inc. acquired a nine-clinic physical therapy practice.				



Date	Target	Buyer	Enterprise Value (\$ mm)	Enterprise Value / Revenue	Enterprise Value / EBITDA
<b>Diagnostic Services</b>					
09/08/17	<b>Biomedical Systems Corporation</b>	<b>eResearch Technology, Inc.</b>	n/a	n/a	n/a
Description:	eResearch Technology, Inc. acquired Biomedical Systems Corporation, a provider of non-invasive diagnostic services, clinical trials and products. Biomedical Systems Corporation was founded in 1975 and is headquartered in St. Louis, MO.				
07/31/17	<b>CombiMatrix Corporation (NASDAQ:CBMX)</b>	<b>Invitae Corporation (NYSE:NVTA)</b>	\$33.0	n/a	n/a
Description:	Invitae Corporation (NYSE:NVTA) entered into a definitive merger agreement with CombiMatrix (NASDAQ:QCBMX), a provider of clinical molecular diagnostic services. CombiMatrix was founded in 2005 and is headquartered in Irvine, CA.				
07/06/17	<b>Ambry Genetics Corporation</b>	<b>Konica Minolta, Inc.</b>	\$800.0	n/a	n/a
Description:	Konica Minolta signed a definitive agreement to acquire Ambry Genetics, a provider of genetic testing and clinical specialties. Ambry Genetics was founded in 1999 and is based in Aliso Viejo, CA.				
<b>Healthcare Distributors</b>					
09/08/17	<b>Vantage Medical Supplies, Inc.</b>	<b>Dealmed Medical Supplies LLC</b>	n/a	n/a	n/a
Description:	Dealmed Medical Supplies entered into an agreement to acquire Vantage Medical Supplies, a distributor of medical and surgical equipment. Vantage Medical Supplies was founded in 1996 and is headquartered in Holtsville, PA.				



Date	Target	Buyer	Enterprise Value (\$ mm)	Enterprise Value / Revenue	Enterprise Value / EBITDA
08/03/17	<b>Northfield Medical Incorporated</b>	<b>PREZIO Health</b>	n/a	n/a	n/a
Description:	PREZIO Health acquired Northfield Medical, a medical device repair company. Northfield Medical was founded in 1994 and based in Greensboro, NC.				
08/02/17	<b>PharMerica Corporation (NYSE:PMC)</b>	<b>KKR &amp; Co. L.P. (NYSE:KKR); Walgreens Boots Alliance, Inc. (NasdaqGS:WBA)</b>	\$1,377.0	0.62x	10.25x
Description:	KKR & Co. and Walgreens Boots Alliance signed a definitive agreement to acquire PharMerica Corporation, a national provider of institutional pharmacy, specialty infusion and hospital pharmacy management services. PharMerica Corporation was founded in 2007 and is headquartered in Louisville, KY.				
07/20/17	<b>WPI Holdings Inc.</b>	<b>Convatec Group Plc (LSE:CTEC)</b>	\$120.5	2.41x	n/a
Description:	Convatec Group Plc (LSE:CTEC) agreed to acquire Woodbury Holdings, a national distributor of incontinence and catheter-related supplies. Woodbury Holdings was founded in 1977 and is headquartered in Floral Park, NY.				

## Healthcare Equipment & Supplies

09/22/17	<b>Vios Medical, Inc.</b>	<b>Murata Manufacturing Co. (OTC:MRAAY)</b>	\$102.0	n/a	n/a
Description:	Murata Manufacturing Co. (OTC:MRAAY) has acquired Vios Medical, Inc, a healthcare IT startup that developed a chest sensor and provides software and cloud service for monitoring. Vios Medical was founded in 2012 and headquartered in St. Paul, MN.				
09/17/17	<b>ClearCorrect, LLC</b>	<b>The Straumann Group (SIX:STMN)</b>	\$150.0	n/a	n/a
Description:	The Straumann Group (SIX:STMN) has acquired ClearCorrect, LLC, a leading manufacturer of clear aligners. ClearCorrect was founded in 2006 and headquartered in Round Rock, TX.				
09/05/17	<b>Neotract, Inc.</b>	<b>Teleflex Incorporated</b>	\$725.0	n/a	n/a
Description:	Teleflex Incorporated signed a definitive agreement to acquire NeoTract, Inc., a privately-held medical device company that has developed and commercialized the FDA-cleared UroLift® System. Neotract was founded in 2004 and is headquartered in Pleasanton, CA.				

Date	Target	Buyer	Enterprise Value (\$ mm)	Enterprise Value / Revenue	Enterprise Value / EBITDA
07/07/17	<b>Spirox, Inc.</b>	<b>Entellus Medical, Inc. (NASDAQ:ENTL)</b>	\$25.0	n/a	n/a
Description:	Entellus Medical, Inc. (NASDAQ:ENTL) entered into a definitive agreement to acquire Spirox, Inc., a privately-held ENT medical technology company that develops, manufactures and markets the LATERA™ Absorbable Nasal Implant. Spirox, Inc. was founded in 2012 and is headquartered in Redwood City, CA.				

## Healthcare IT

09/22/17	<b>MyCare MedTech Inc.</b>	<b>Premier Diversified Holdings Inc. (OTCPK:PRDG.F)</b>	\$0.2	n/a	n/a
Description:	Premier Diversified Holdings Inc. (OTCPK:PRDG.F) acquired MyCare MedTech Inc., a provider of electronic healthcare solutions for accessing virtual care through mobile and virtual health. MyCare MedTech Inc. was founded in 2015 and is based in Calgary, Canada.				
08/03/17	<b>Enterprise Information System (NYSE:MCK)</b>	<b>Allscripts Healthcare Solutions (NASDAQ:MDRX)</b>	\$185.0	n/a	n/a
Description:	Allscripts Healthcare Solutions (NASDAQ:MDRX) entered into a definitive agreement to acquire Enterprise Information Solutions, McKesson Corporation's (NYSE:MCK) hospital and health IT business.				
07/24/17	<b>WebMD Health Corp. (NASDAQ:WBMD)</b>	<b>Internet Brands (NYSE:KKR)</b>	\$3.6	n/a	n/a
Description:	Internet Brands, a subsidiary of KKR & Co. L.P. (NYSE:KKR) acquired WebMD Health Corp, the leading provider of health information services. WebMD was founded in 1996 and is headquartered in New York.				
07/10/17	<b>RowdMap, Inc.</b>	<b>Cotiviti (NYSE: COTV)</b>	\$70.0	n/a	n/a
Description:	Cotiviti (NYSE: COTV) has acquired RowdMap, Inc., a payer-provider, value-based analytics company. RowdMap was founded in 2011 and is headquartered in Louisville, KY.				

Date	Target	Buyer	Enterprise Value (\$ mm)	Enterprise Value / Revenue	Enterprise Value / EBITDA
<b>Hospital Providers</b>					
09/19/17	<b>Sacred Heart HealthCare System</b>	<b>St. Luke's University Health System</b>	n/a	n/a	n/a
Description:	St. Luke's University Health System merged with Sacred Heart HealthCare System. Sacred Heart Hospital was founded as a Catholic medical center in 1912 and located in Allentown, PA.				
09/13/17	<b>Blue Mountain Health System</b>	<b>St. Luke's University Health System</b>	n/a	n/a	n/a
Description:	St. Luke's University Health System acquired Blue Mountain Health System, a health network consisting of two community-based hospitals in Lehigh and Palmerton, PA. Blue Mountain Health System was founded in 1951 and is based in Lehigh, PA.				
09/13/17	<b>East Texas Medical Center Regional</b>	<b>Ardent Health Services LLC</b>	n/a	n/a	n/a
Description:	Ardent Health Services LLC acquired East Texas Medical Center Regional Healthcare System, including 502-bed East Texas Medical Center Tyler and a network of nine hospital and 39 clinics. East Texas Medical Center was founded in 1949 and headquartered in Tyler, TX.				
08/17/17	<b>Gwinnett Health System</b>	<b>Northside Hospital</b>	n/a	n/a	n/a
Description:	Northside Hospital signed a letter of intent to merge with Gwinnett Health System, a 553-bed, not-for-profit health care network. Gwinnett Health System was founded in 1992 and is based in Lawrenceville, GA.				
08/14/17	<b>Moundview Memorial Hospital</b>	<b>Gundersen Health System</b>	n/a	n/a	n/a
Description:	Gundersen Health System has acquired Moundview Memorial Hospital, a payer-provider, value-based analytics company. Moundview was founded in 2011 and is headquartered in Louisville, KY.				
08/14/17	<b>PinnacleHealth System</b>	<b>UPMC</b>	n/a	n/a	n/a
Description:	UPMC has acquired PinnacleHealth System, a not-for-profit hospital and healthcare system. PinnacleHealth was founded in 1873 and is based in Harrisburg, PA.				
08/01/17	<b>Texas Spine &amp; Joint Hospital</b>	<b>Baylor Scott &amp; White Health</b>	n/a	n/a	n/a
Description:	Baylor Scott & White Health has partnered with Texas Spine & Joint Hospital, a physician-owned orthopedic and spine hospital. Texas Spine & Joint was founded in 2002 and is based in Tyler, TX.				

Date	Target	Buyer	Enterprise Value (\$ mm)	Enterprise Value / Revenue	Enterprise Value / EBITDA
07/24/17	<b>Hanover HealthCare Plus</b>	<b>PinnacleHealth System</b>	n/a	n/a	n/a
Description:	PinnacleHealth System signed a definitive agreement to form a strategic partnership with Hanover HealthCare Plus Inc., a not-for-profit provider of healthcare services with 93 licensed beds. Hanover Healthcare Plus was founded in 1926 and based in Hanover, PA.				
07/21/17	<b>Highlands Regional Medical Center</b>	<b>HCA Healthcare, Inc. (NYSE:HCA)</b>	n/a	n/a	n/a
Description:	HCA Healthcare, Inc. (NYSE:HCA) entered into an agreement to acquire Highlands Regional Medical Center, a 126-bed full service hospital. Highlands Regional Medical Center was founded in 1965 and based in Sebring, FL.				
07/12/17	<b>Lahey Health</b>	<b>Beth Israel Deaconess Medical Center, Inc.</b>	n/a	n/a	n/a
Description:	Beth Israel Deaconess Medical Center, Inc. signed an agreement to merge with Lahey Health, a physician-led nonprofit teaching hospital of Tufts University School of Medicine. Lahey Health was founded in 1923 and is based in Burlington, MA.				
07/11/17	<b>L.V. Stabler Memorial Hospital</b>	<b>The City of Greenville, Alabama</b>	n/a	n/a	n/a
Description:	The City of Greenville, Alabama signed a letter of intent to acquire L.V. Stabler Memorial Hospital, a 72-bed hospital. L.V. Stabler was founded in 1986 and is based in Greenville, AL.				
07/11/17	<b>Weatherford Regional Medical Center</b>	<b>HCA Healthcare, Inc. (NYSE:HCA)</b>	n/a	n/a	n/a
Description:	HCA Healthcare, Inc. (NYSE:HCA) acquired Weatherford Regional Medical Center, a 103-bed hospital that includes a network of medical clinics in Weatherford, TX.				
07/05/17	<b>Integrity Healthcare, LLC</b>	<b>NantWorks, LLC</b>	n/a	n/a	n/a
Description:	NantWorks, LLC has acquired Integrity Healthcare, LLC, a provider of healthcare management services. Integrity Healthcare was founded in 2015 and is based in New York.				
07/03/17	<b>Wilkes Regional Medical Center</b>	<b>Wale Forest Baptist Medical Center</b>	n/a	n/a	n/a
Description:	Wake Forest Baptist Medical Center signed a letter of intent to lease 130-bed Wilkes Regional Medical Center. Wilkes Regional Medical Center was founded in 1952 and is based in North Wilkesboro, NC.				



Date	Target	Buyer	Enterprise Value (\$ mm)	Enterprise Value / Revenue	Enterprise Value / EBITDA
<b>Long-Term Care / Senior Living</b>					
09/25/17	<b>24 Skilled Nursing Facilities</b>	<b>Sabra Health Care REIT (NASDAQ:SBRA)</b>	<b>\$430.0</b>	<b>n/a</b>	<b>n/a</b>
Description:	Sabra Health Care REIT (NASDAQ:SBRA) acquired 24 skilled nursing facilities comprised of 2,216 licensed beds and located on the West Coast.				
09/21/17	<b>23 Skilled Nursing Facilities</b>	<b>East Coast-based operator</b>	<b>\$94.0</b>	<b>n/a</b>	<b>n/a</b>
Description:	An East Coast-based operator acquired 23 skilled nursing facilities comprised of 1,692 licensed beds and located in Ohio and Pennsylvania.				
09/19/17	<b>The Enlivant portfolio</b>	<b>Sabra Health Care REIT (NASDAQ:SBRA)</b>	<b>\$793.8</b>	<b>n/a</b>	<b>n/a</b>
Description:	Sabra Health Care REIT (NASDAQ:SBRA) entered into a definitive agreement to acquire 183 senior housing communities managed by Enlivant. The senior housing communities total 8,280 units located across 20 states.				
09/05/17	<b>15 Skilled Nursing Facilities</b>	<b>Omega Healthcare Investors (NYSE:OHI)</b>	<b>\$190.0</b>	<b>n/a</b>	<b>n/a</b>
Description:	Omega Healthcare Investors (NYSE:OHI) acquired 15 skilled nursing facilities comprised of 2,074 beds in Various, IN.				
09/01/17	<b>North Shore Place</b>	<b>Blue Moon Capital Partners</b>	<b>\$105.0</b>	<b>n/a</b>	<b>n/a</b>
Description:	Blue Moon Capital Partners acquired North Shore Place, a 156-unit assisted living and memory care community. North Shore Place was founded in 2014 and is based in Northbrook, IL.				
09/01/17	<b>Carlisle Palm Beach</b>	<b>Bridge Investment Group</b>	<b>\$87.5</b>	<b>n/a</b>	<b>n/a</b>
Description:	Bridge Investment Group has acquired Carlisle Palm Beach, a 290-unit senior living community. Carlisle Palm Beach was founded in 1999 and is located in Lantana, FL.				
08/14/17	<b>9 Skilled Nursing Facilities</b>	<b>Summit Healthcare REIT</b>	<b>\$60.0</b>	<b>n/a</b>	<b>n/a</b>
Description:	Summit Healthcare REIT acquired 9 skilled nursing facilities in the Northeast consisting of 1,285 licensed beds.				

Date	Target	Buyer	Enterprise Value (\$ mm)	Enterprise Value / Revenue	Enterprise Value / EBITDA
08/09/17	<b>Ashford Court &amp; Sterling Place (NYSE:SNR)</b>	<b>Chavelier International</b>	<b>\$33.0</b>	<b>n/a</b>	<b>n/a</b>
Description:	Chavelier International acquired Ashford Court and Sterling Place. Ashford Court, located in Westland, Michigan and built in 1986, has 143 independent living, assisted living, and memory care units. Sterling Place in Southfield, Michigan, was built in 1987 and has 156 independent living units.				
08/01/17	<b>Schervier Nursing Care Center</b>	<b>TL Management</b>	<b>\$87.0</b>	<b>n/a</b>	<b>n/a</b>
Description:	TL Management acquired Schervier Nursing Care Center, a 364-bed skilled nursing facility. Schervier Nursing Care Center was founded in 1970 and is located in Bronx, NY.				
07/18/17	<b>Pennington Gardens</b>	<b>Summit Healthcare REIT</b>	<b>\$13.4</b>	<b>n/a</b>	<b>n/a</b>
Description:	Summit Healthcare REIT acquired Pennington Gardens, a 90-bed assisted living and memory care facility located in Chandler, AZ.				
07/13/17	<b>Two Skilled Nursing Facilities</b>	<b>MedEquities Realty Trust (NYSE: MRT)</b>	<b>\$15.0</b>	<b>n/a</b>	<b>n/a</b>
Description:	MedEquities Realty Trust (NYSE: MRT) signed a definitive agreement to acquire real property comprised of two skilled nursing facilities in Indiana totaling 160 licensed beds.				
07/05/17	<b>Blue Ridge Assisted Living</b>	<b>Joint Venture</b>	<b>\$17.0</b>	<b>n/a</b>	<b>n/a</b>
Description:	A joint venture between a Maryland-based fund and a Florida-based operator has acquired Blue Ridge Assisted Living, an assisted living community and a two-tiered memory care neighborhood in Blue Ridge, GA.				

Date	Target	Buyer	Enterprise Value (\$ mm)	Enterprise Value / Revenue	Enterprise Value / EBITDA
<b>Managed Care</b>					
09/27/17	<b>New Mexico Health Connections</b>	<b>Evolent Health, Inc. (NYSE:EVH)</b>	<b>\$10.3</b>	<b>n/a</b>	<b>n/a</b>
Description:	Evolent Health, Inc. (NYSE:EVH) entered into an agreement to acquire selected assets from New Mexico Health Connections, a provider of consumer-operated and oriented insurance plans. New Mexico Health Connections was founded in 2012 and is based in Albuquerque, NM.				
09/20/17	<b>Healthsun Health Partners, Inc.</b>	<b>Anthem, Inc. (NYSE:ANTM)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Description:	Anthem, Inc. (NYSE:ANTM) entered into an agreement to acquire Healthsun Health Plans, Inc., a Medicare Managed Care company. Healthsun Health Plans, Inc. was incorporated in 2004 and is based in Coconut Grove, FL.				
09/12/17	<b>Fidelis Care</b>	<b>Centene Corporation (NYSE:CNC)</b>	<b>\$3,750.0</b>	<b>n/a</b>	<b>n/a</b>
Description:	Centene Corporation (NYSE:CNC) acquired Fidelis Care, a provider of health insurance coverage. Fidelis Care was founded in 1993 and is based in New York.				
07/13/17	<b>Senior Whole Health</b>	<b>Magellan Health, Inc. (NASDAQ: MGLN)</b>	<b>\$400.0</b>	<b>n/a</b>	<b>n/a</b>
Description:	Magellan Health, Inc. (NASDAQ: MGLN) has acquired Senior Whole Health, a health maintenance organization providing Medicare and Medicaid dual-eligible benefits. Senior Whole Health was founded in 2004 and is located in Cambridge, MA.				

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# Valuation Metrics by Sector



Ticker	Company Name	Stock Price	% of 52 Week High	Market Cap (\$mm)	Enterprise Value (\$mm)	Enterprise Value to:		P/E
						LTM Revenue	LTM EBITDA	
<b>Alternate Site <sup>[1]</sup></b>								
AMED	Amedisys, Inc.	\$55.58	84.3%	\$1,882.1	\$1,915.2	1.3x	16.9x	47.5x
DVA	DaVita Inc.	58.47	83.3%	11,179.5	20,546.5	1.4x	8.3x	8.9x
EVHC	Envision Healthcare Corporation	44.00	58.9%	5,247.6	12,004.6	2.0x	12.0x	NM
DB:FME	Fresenius Medical Care AG & Co. KGAA	69.14	65.8%	29,911.7	39,768.4	2.0x	10.5x	0.0x
Mean						1.7x	11.9x	4.5x

<b>Diagnostic Services <sup>[2]</sup></b>								
LH	Laboratory Corporation of America Holdings	149.75	91.2%	15,244.6	21,088.5	2.2x	11.3x	21.0x
DGX	Quest Diagnostics Incorporated	91.96	81.4%	12,543.9	16,159.9	2.1x	10.9x	18.5x
RDNT	RadNet, Inc.	11.50	96.6%	543.6	1,166.6	1.3x	9.2x	60.4x
Mean						1.9x	10.4x	19.8x

[1] AMED has been excluded from mean PE multiple calculation.

[2] RDNT has been excluded from mean PE multiple calculation.

Ticker	Company Name	Stock Price	% of 52 Week High	Market Cap (\$mm)	Enterprise Value (\$mm)	Enterprise Value to:		P/E
						LTM Revenue	LTM EBITDA	
<b>Healthcare Distributors <sup>[3]</sup></b>								
ABC	AmerisourceBergen Corporation	\$80.99	82.8%	\$17,745.8	\$20,220.3	0.1x	8.3x	21.1x
CAH	Cardinal Health, Inc.	66.97	78.9%	21,110.0	24,785.0	0.2x	8.1x	16.6x
HSIC	Henry Schein, Inc.	80.86	86.5%	12,784.9	14,868.0	1.2x	14.3x	23.6x
MCK	McKesson Corporation	153.72	90.8%	32,321.2	39,560.2	0.2x	10.3x	7.0x
OMI	Owens & Minor, Inc.	29.59	79.9%	1,811.7	2,333.7	0.2x	10.1x	18.8x
SRCL	Stericycle, Inc.	71.72	81.5%	6,120.5	8,948.4	2.5x	11.5x	NM
TMO	Thermo Fisher Scientific Inc.	186.45	96.0%	74,618.6	90,903.6	4.7x	18.9x	32.4x
Mean						1.3x	11.7x	17.4x

<b>Healthcare Equipment &amp; Supplies <sup>[4]</sup></b>								
ABT	Abbott Laboratories	\$53.64	97.9%	\$93,196.5	\$107,637.5	4.6x	20.9x	82.8x
BAX	Baxter International Inc.	62.34	96.3%	33,967.3	33,597.3	3.3x	15.1x	38.1x
BDX	Becton, Dickinson and Company	193.60	93.7%	44,056.6	49,197.6	4.0x	15.4x	56.1x
BEAT	BioTelemetry, Inc.	32.25	82.3%	1,043.6	1,041.5	4.9x	25.4x	21.6x
BSX	Boston Scientific Corporation	28.74	97.8%	39,434.9	45,074.9	5.2x	19.6x	51.4x
JNJ	Johnson & Johnson	129.47	94.4%	347,497.4	340,861.4	4.7x	13.6x	21.9x
MDT	Medtronic plc	77.71	86.6%	105,265.3	126,313.3	4.2x	13.7x	26.2x
SIE	Siemens Aktiengesellschaft	118.35	88.7%	95,297.3	114,074.3	1.4x	10.9x	16.5x
Mean						4.0x	16.8x	21.6x

[3] TMO has been excluded from mean PE multiple calculation.

[4] ABT, BAX, BDX & BSX have been excluded from mean PE multiple calculation.



Ticker	Company Name	Stock Price	% of 52 Week High	Market Cap (\$mm)	Enterprise Value (\$mm)	Enterprise Value to:		P/E
						LTM Revenue	LTM EBITDA	
<b>Healthcare IT<sup>[5]</sup></b>								
MDRX	Allscripts Healthcare Solutions, Inc.	\$14.24	99.1%	\$2,571.9	\$4,286.3	2.6x	26.7x	NM
ATHN	athenahealth, Inc.	123.73	78.0%	4,940.5	5,149.3	4.5x	40.3x	157.0x
CERN	Cerner Corporation	70.78	97.9%	23,469.4	23,375.8	4.8x	17.0x	35.8x
CPSI	Computer Programs and Systems, Inc.	29.30	81.0%	403.0	544.7	2.1x	19.1x	75.5x
HMSY	HMS Holdings Corp.	19.97	89.6%	1,678.4	1,867.1	3.8x	20.1x	56.8x
OMCL	Omniceil, Inc.	49.60	94.1%	1,857.7	2,025.2	3.0x	47.4x	NM
QSII	Quality Systems, Inc.	15.50	87.4%	982.2	1,003.9	1.9x	16.4x	43.3x
Mean						3.2x	16.2x	39.5x

<b>Hospital Providers</b>								
CYH	Community Health Systems, Inc.	\$7.54	64.2%	\$844.0	\$15,507.0	0.9x	8.6x	NM
HCA	HCA Healthcare, Inc.	79.10	86.9%	28,574.9	61,199.9	1.4x	7.4x	10.6x
LPNT	LifePoint Health, Inc.	58.50	82.5%	2,346.8	5,286.1	0.8x	7.0x	13.1x
THC	Tenet Healthcare Corp.	15.94	66.1%	1,607.1	18,750.1	1.0x	8.5x	NM
UHS	Universal Health Services, Inc.	109.73	84.6%	10,496.8	14,617.3	1.4x	8.5x	14.9x
Mean						1.1x	8.0x	12.9x

[5] OMCL has been excluded from mean EBITDA multiple calculation, and ATHN, CPSI & HMSY have been excluded from mean PE multiple calculation.

Ticker	Company Name	Stock Price	% of 52 Week High	Market Cap (\$mm)	Enterprise Value (\$mm)	Enterprise Value to:		P/E
						LTM Revenue	LTM EBITDA	
<b>Long-Term Care / Senior Living</b>								
BKD	Brookdale Senior Living Inc.	\$10.82	61.0%	\$2,015.5	\$7,022.9	1.7x	9.3x	14.7x
CSU	Capital Senior Living Corporation	12.81	71.6%	388.7	1,382.7	3.0x	17.8x	19.4x
DVCR	Diversicare Healthcare Services, Inc.	11.49	89.6%	74.2	162.2	0.3x	6.2x	13.6x
ENSG	The Ensign Group, Inc.	22.55	96.6%	1,147.1	1,399.2	0.8x	11.5x	26.3x
GEN	Genesis Healthcare, Inc.	1.15	24.2%	108.9	4,793.8	0.9x	10.6x	NM
KND	Kindred Healthcare, Inc.	6.95	58.4%	604.8	3,927.3	0.6x	8.3x	NM
Mean						1.2x	10.6x	18.5x

<b>Managed Care</b>								
AET	Aetna Inc.	\$157.30	95.6%	\$52,176.4	\$57,945.4	0.9x	9.6x	34.9x
ANTM	Anthem, Inc.	189.78	95.4%	49,833.3	62,778.2	0.7x	10.9x	17.9x
CNC	Centene Corporation	95.84	97.1%	16,530.1	17,028.1	0.4x	7.8x	21.2x
CI	Cigna Corporation	187.00	99.3%	47,082.5	48,293.5	1.2x	11.5x	21.6x
ESRX	Express Scripts Holding Company	63.07	81.4%	36,426.0	49,065.5	0.5x	6.9x	10.9x
HUM	Humana Inc.	242.75	93.5%	35,081.6	32,039.6	0.6x	12.0x	20.0x
UNH	UnitedHealth Group Incorporated	196.10	97.7%	189,601.2	210,787.2	1.1x	13.5x	23.6x
Mean						0.8x	10.3x	21.4x

<b>OVERALL HEALTHCARE SECTOR</b>								
Mean						1.9x	12.0x	19.4x



# NOTES

## Notes

- Sources: Capital IQ, Bond Buyer, Bloomberg, company 10-K, 10-Q and 8-K SEC filings, annual reports, press releases, and others as indicated.
- Any public companies chosen for the “SCA Healthcare Services Universe” are companies commonly used for industry information to show performance within a sector. They do not include all public companies that could be categorized within the sector and were not created as benchmarks; they do not imply benchmarking and do not constitute recommendations for a particular security and/or sector. The charts and graphs used in this report have been compiled by SOLIC Capital Advisors solely for purposes of illustration.

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