



PCE Industry Report

Healthcare



Middle Market M&A Summary

Healthcare

4th Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$3.5 billion.
 - The largest transaction was the acquisition of Allergan plc by TEVA Pharmaceutical Industries for \$13.5 billion.
 - The smallest transaction was the acquisition of Raptor Pharmaceuticals Corp by Horizon Pharm plc for \$891.7 million.
- The public company industry median TEV/Revenue multiple is 2.6x.
- The public company industry median TEV/EBITDA multiple is 14.1x.

Key Trends

- Q4 2016 has seen seven healthcare related IPOs. The largest valuation came from Myovant Sciences Ltd., which was valued at \$217.5 million.

The growth in the aging population coupled with its high pervasiveness of chronic conditions and seniors strong preference to age at home is increasing demand for technology-based care solutions. However, while consumers generally embrace the concept of technology-aided care, they remain skeptical about the future services' ability to provide personalized, high-quality care and securely protect their medical information. Therefore, we expect to see growth in home based services as well as tech-based solutions.
- 3D-printing capabilities are revolutionizing the health care industry. The technology produces low-cost, patient specific medical products including prosthetics, skin for burn victims, organs, dental and orthopedic implants, and casts. With a CAGR of 17.7% for the forecast period, the 3D printed medical devices market is projected to be valued at \$1.5 billion by the end of 2026. The widespread adoption of 3D-printing in medicine will rely on its demonstrated safety and success, as well as individual providers' willingness to invest in the technology.¹
- Next generation sequencing allows researchers to recognize genetic indicators for various diseases and predict patients' response to treatment. Genetic sequencing coupled with advances in diagnostic testing can identify at-risk populations who would benefit from early interventions. Personalized medicine is seen as a growth segment of the healthcare market.

Approximately 6.4 million Americans signed up to receive health insurance coverage beginning January 1 through Affordable Care Act (ACA). Over 2 million of these individuals represent first time customers. On December 15, the site saw 670,000 sign-ups; its busiest day since its inception. This surge in sign-ups may be attributed to the changing political landscape as plans for 2017 coverage are locked in place. However, plans for 2018 may be affected by the new administration and Congress's effort to repeal the ACA.

Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

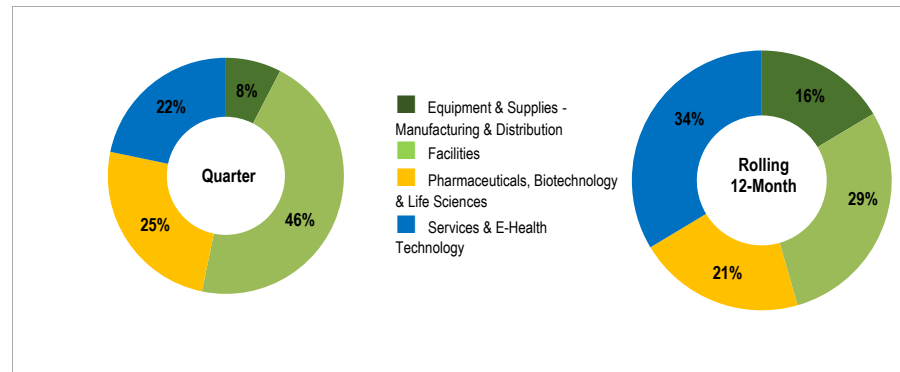
¹ "3D Printed Medical Devices Market", PRNewswire, November 28, 2016.

Industry Trends During Quarter

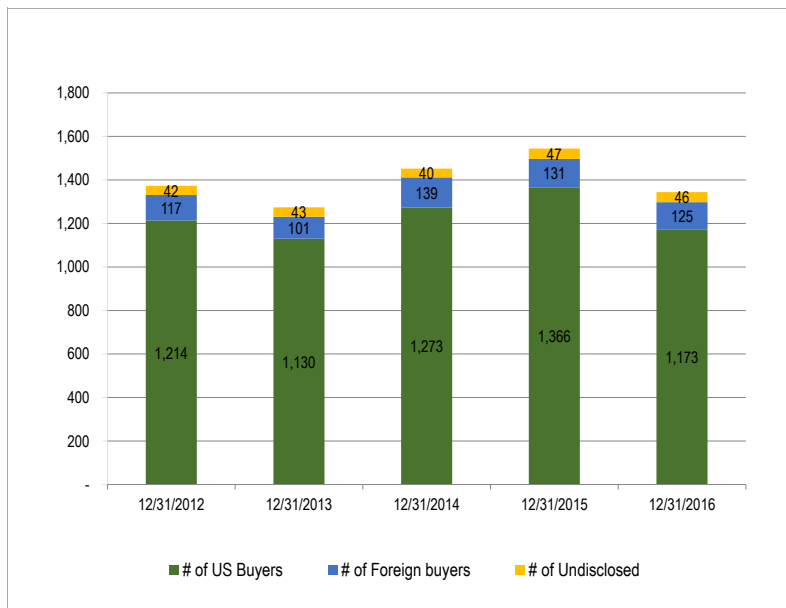
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Equipment & Supplies - Manufacturing & Distribution	↓	↓	↓
Facilities	↑	↑	↓
Pharmaceuticals, Biotechnology & Life Sciences	↓	↓	↓
Services & E-Health Technology	↓	↓	↓

* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

Transaction Volume as % of Industry



Rolling 12-Month Transaction Volume Trends by Buyer Origin



Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

Sector	Target	Buyer	Transaction Value
Services & E-Health Technology	Allergan plc	Teva Pharmaceutical Industries	\$13,549.4
Services & E-Health Technology	Envision Healthcare Holdings, Inc.	Pfizer Inc.	\$8,127.6
Pharmaceuticals, Biotechnology & Life Sciences	Cepheid	Danaher Corporation	\$4,412.0
Services & E-Health Technology	Press Ganey Holdings, Inc.	EQT Partners AB	\$2,428.6
Pharmaceuticals, Biotechnology & Life Sciences	Tobira Therapeutics, Inc.	Ventas, Inc.	\$1,541.0
Facilities	West Coast Seniors Housing Portfolio of 19 Properties	Jazz Pharmaceuticals Public Limited Company	\$1,152.6
Facilities	Real Estate of 64 Facilities	Merck & Co., Inc.	\$1,100.0
Pharmaceuticals, Biotechnology & Life Sciences	Chase Pharmaceuticals Corporation, Inc.	Zimmer Biomet Holdings	\$1,000.0
Facilities	11 Seniors Housing Properties and 28 Long-Term/Post-Acute Care Facilities	Unionlife Insurance Company, Ltd.; Cindat Capital Management Limited	\$930.0
Pharmaceuticals, Biotechnology & Life Sciences	Raptor Pharmaceuticals Corp.	Horizon Pharma plc	\$891.7

Equipment & Supplies - Manufacturing & Distribution

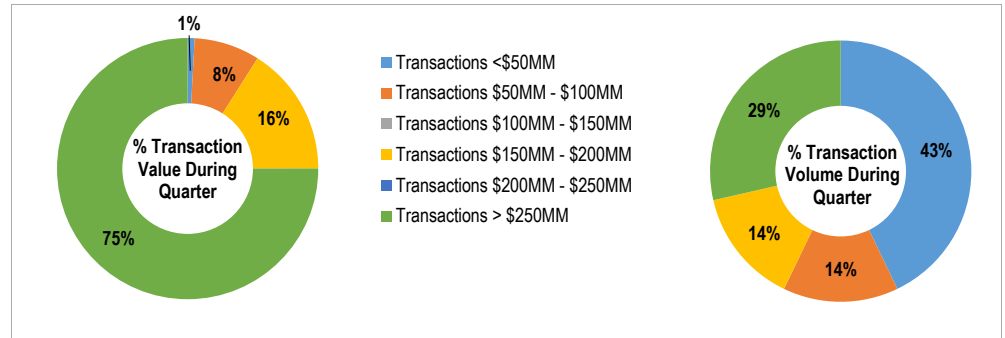
4th Quarter 2016

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	37
Number of Transactions with Disclosed Values	7
Transaction Value*	\$1,000.76
Average Transaction Value*	\$142.97
Median Transaction Value*	\$81.42

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

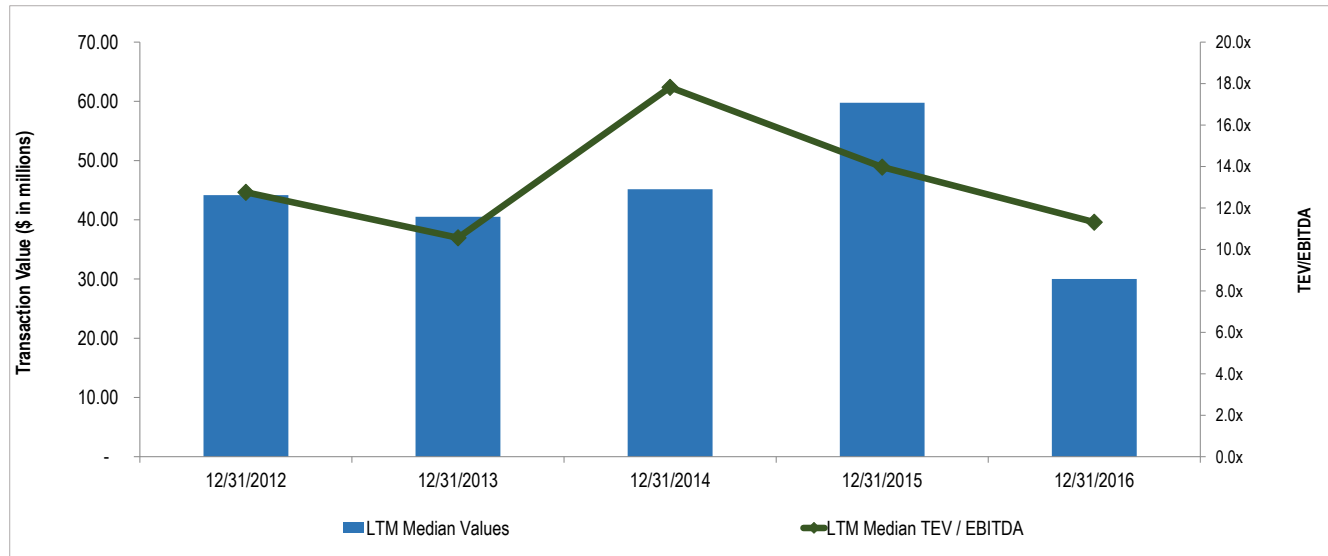
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

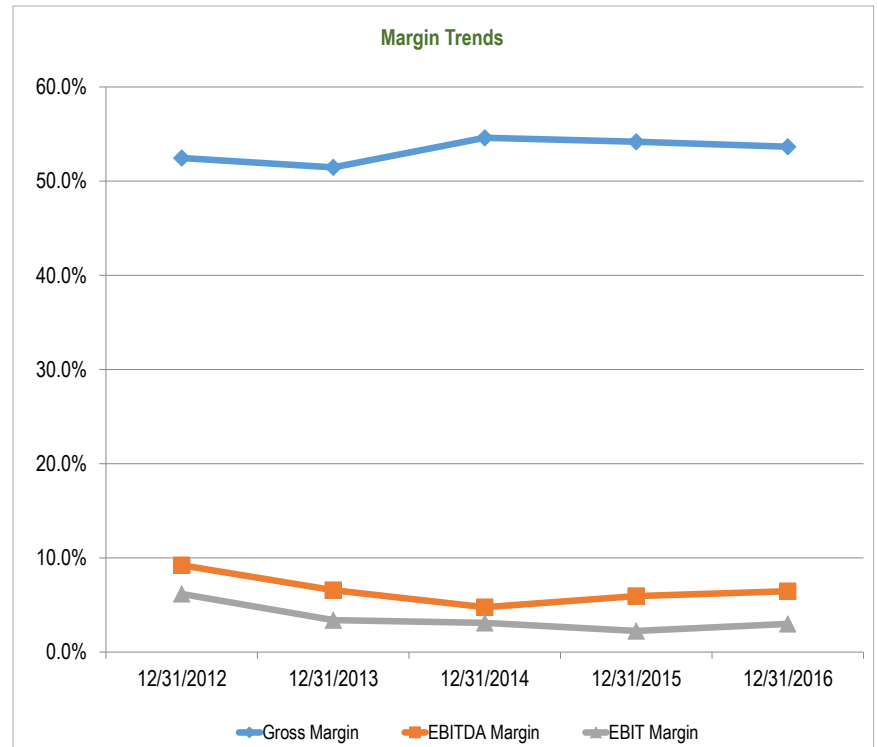
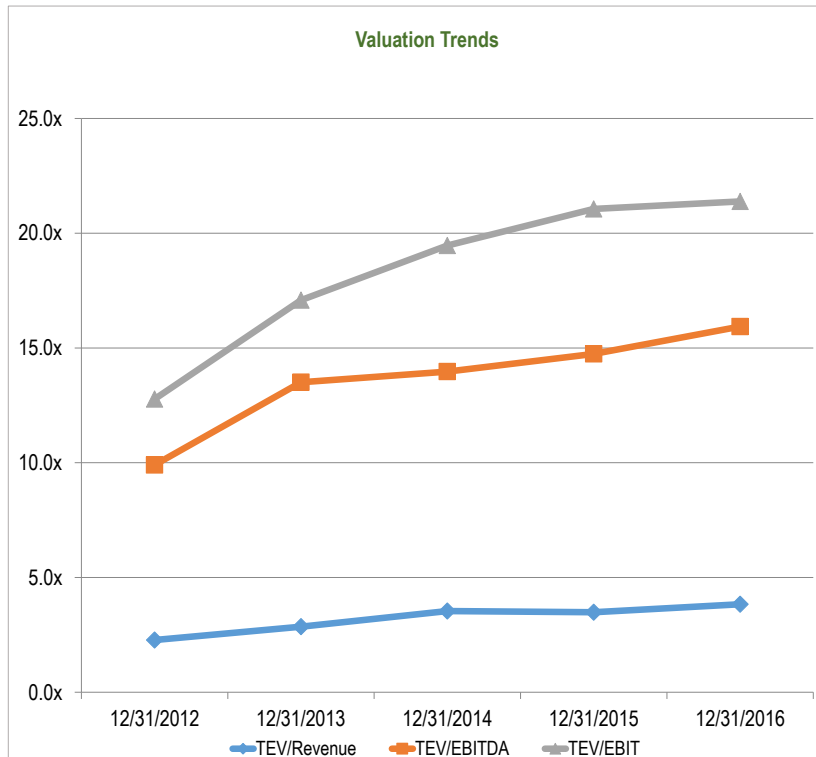
Equipment & Supplies - Manufacturing & Distribution

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,960	6.0x	25.1x	26.6x	TEV/Revenue	↑
Median	\$343	3.8x	15.9x	21.4x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	47.8%	-15.2%	-17.9%	Gross Margin	↓
Median	53.7%	6.5%	3.0%	EBITDA Margin	↑
				EBIT Margin	↑



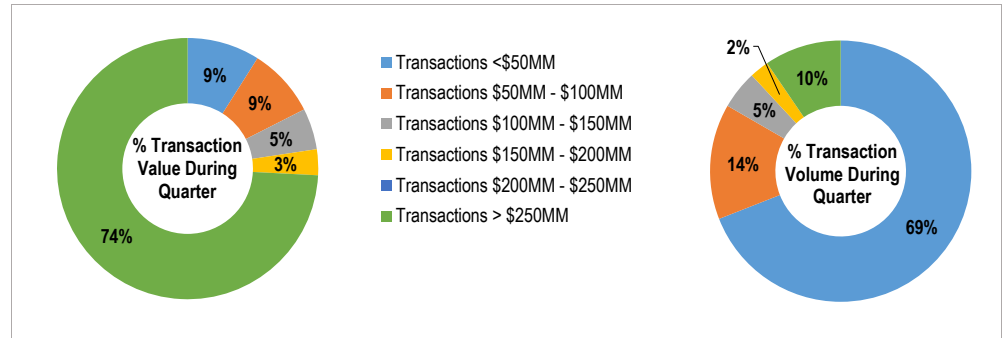
Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	95
Number of Transactions with Disclosed Values	42
Transaction Value*	\$5,098.98
Average Transaction Value*	\$121.40
Median Transaction Value*	\$22.63

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

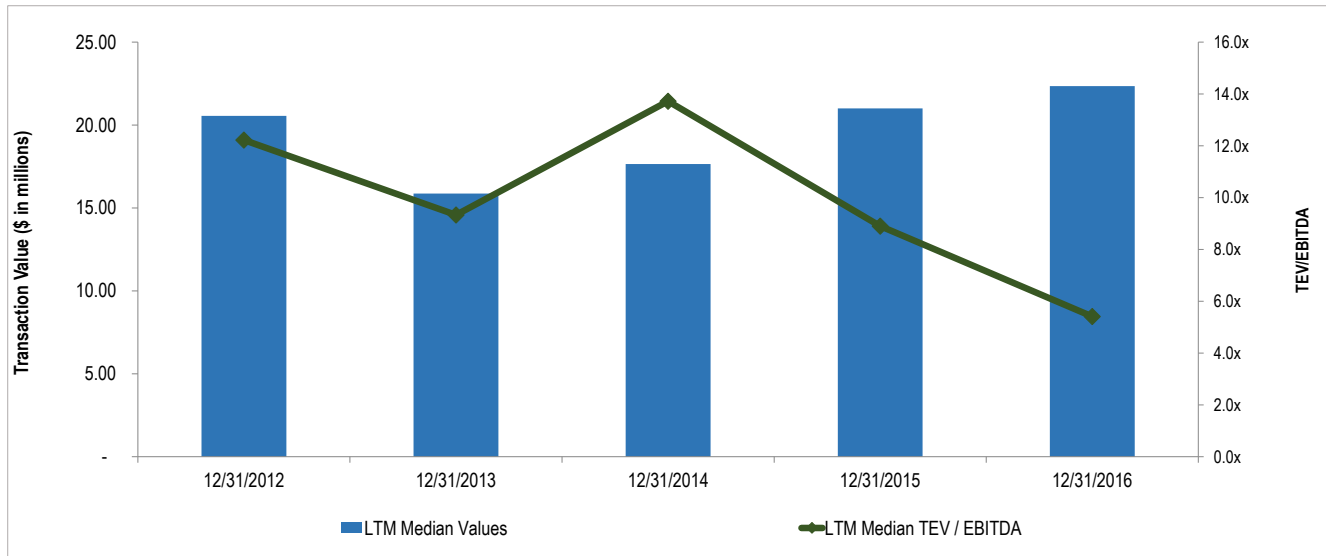
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

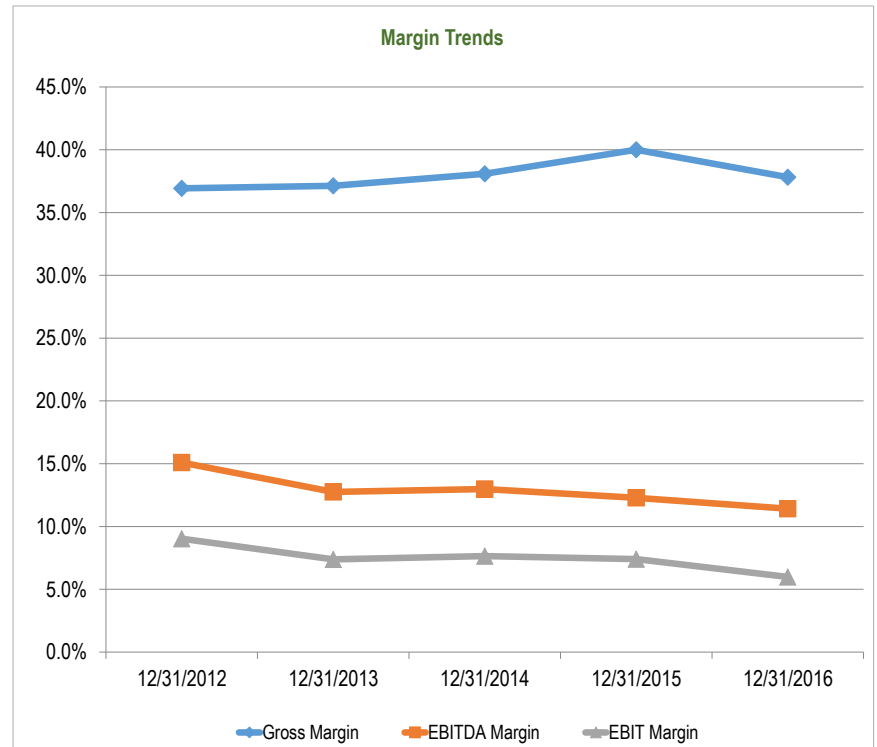
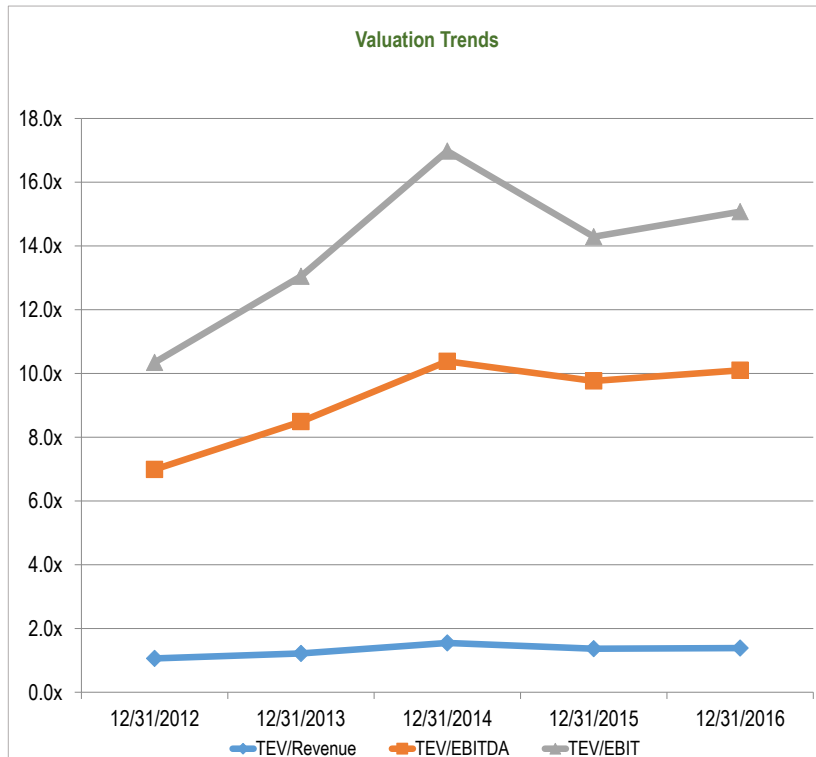


Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,908	1.6x	10.5x	22.6x	TEV/Revenue	↑
Median	\$886	1.4x	10.1x	15.1x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	38.3%	11.0%	5.1%	Gross Margin	↓
Median	37.8%	11.4%	6.0%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	48
Number of Transactions with Disclosed Values	23
Transaction Value*	\$10,198.38
Average Transaction Value*	\$443.41
Median Transaction Value*	\$47.60

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

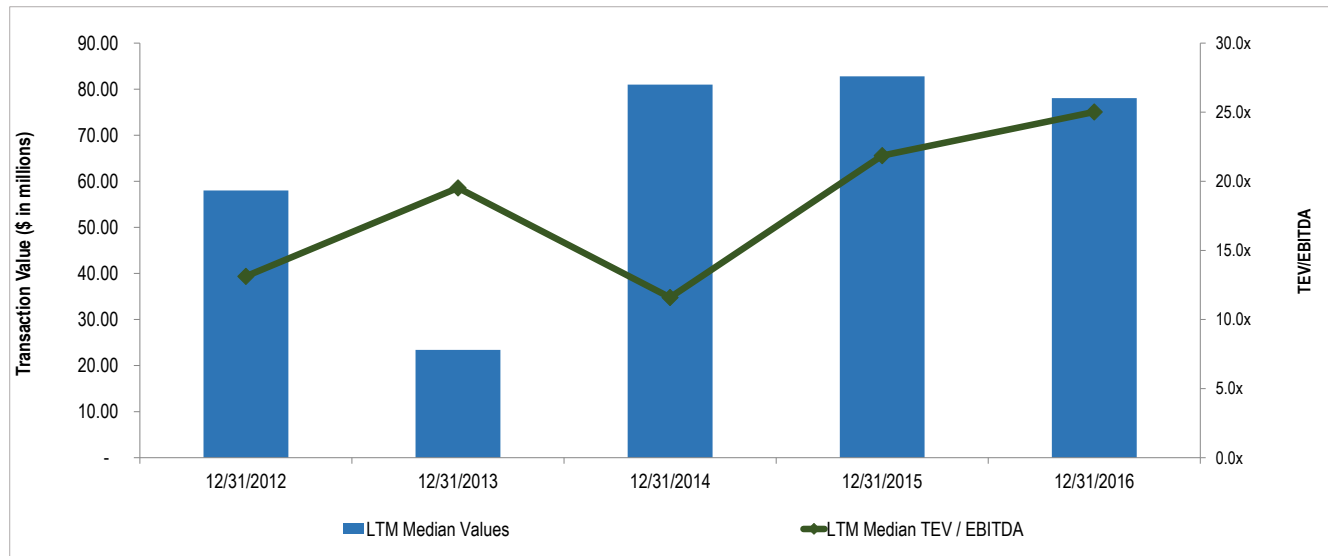
Transactions by Value & Volume



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Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

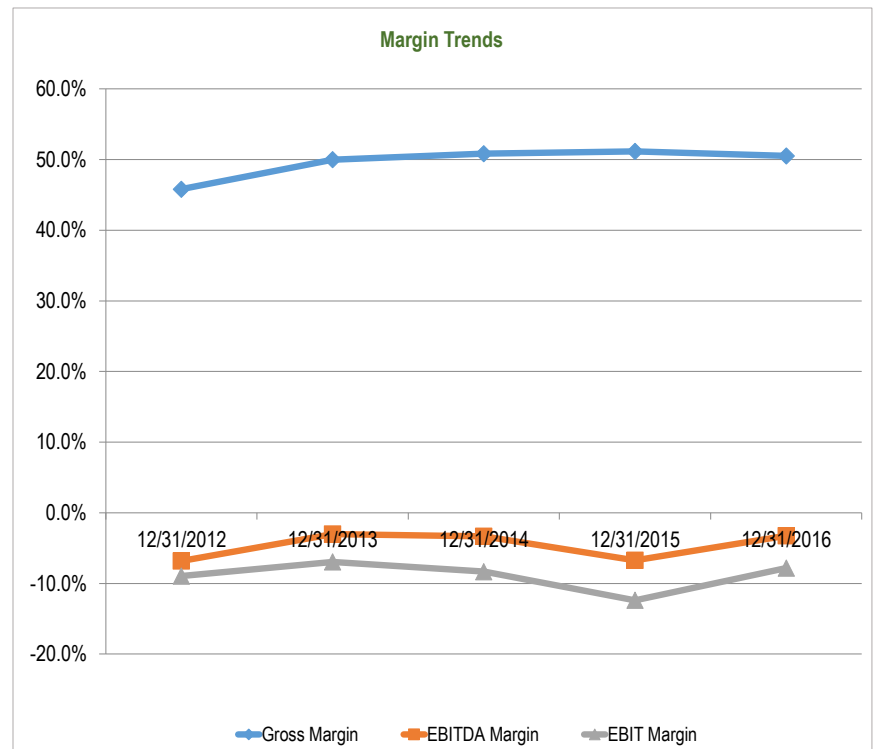
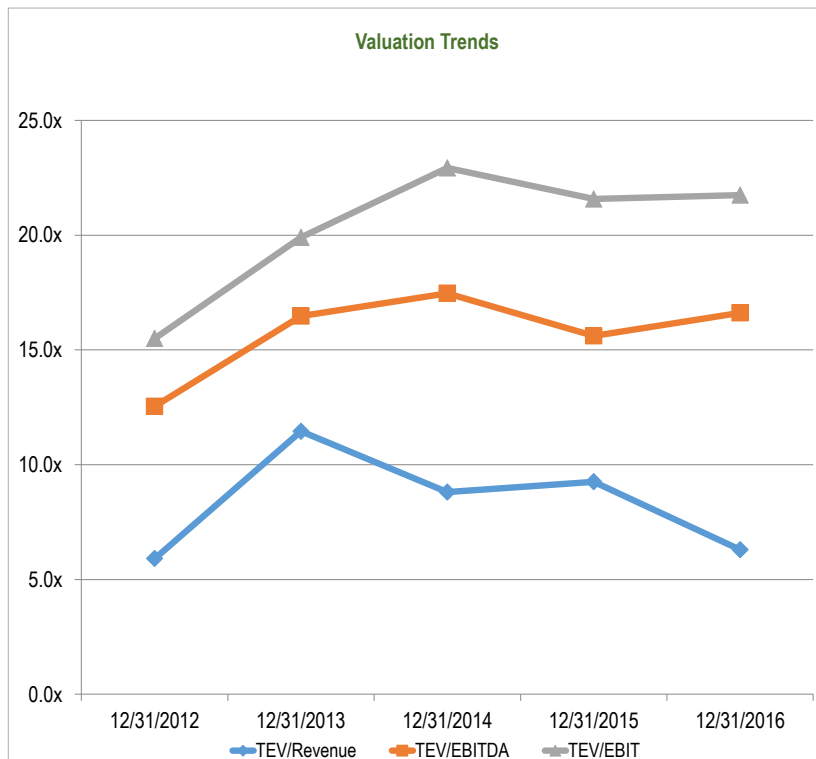
Pharmaceutical, Biotechnology & Life Sciences

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,363	29.7x	22.2x	32.5x	TEV/Revenue	↓
Median	\$240	6.3x	16.6x	21.7x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	32.5%	-38.1%	-42.8%	Gross Margin	↓
Median	50.5%	-3.3%	-7.8%	EBITDA Margin	↑
				EBIT Margin	↑



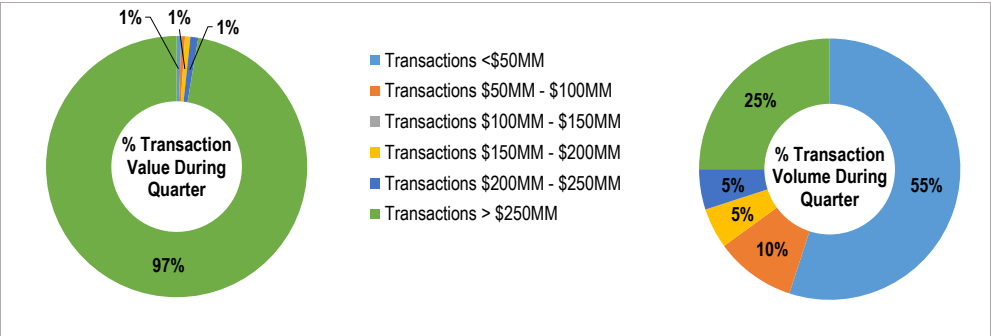
Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	110
Number of Transactions with Disclosed Values	20
Transaction Value*	\$25,665.18
Average Transaction Value*	\$1,283.26
Median Transaction Value*	\$37.37

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

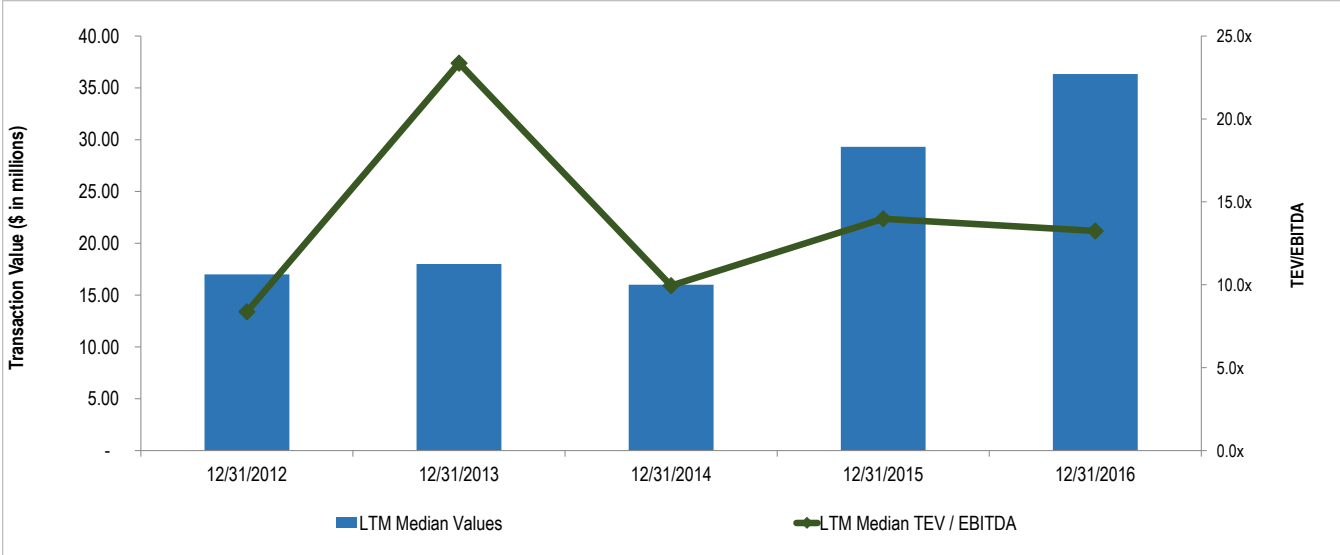
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data



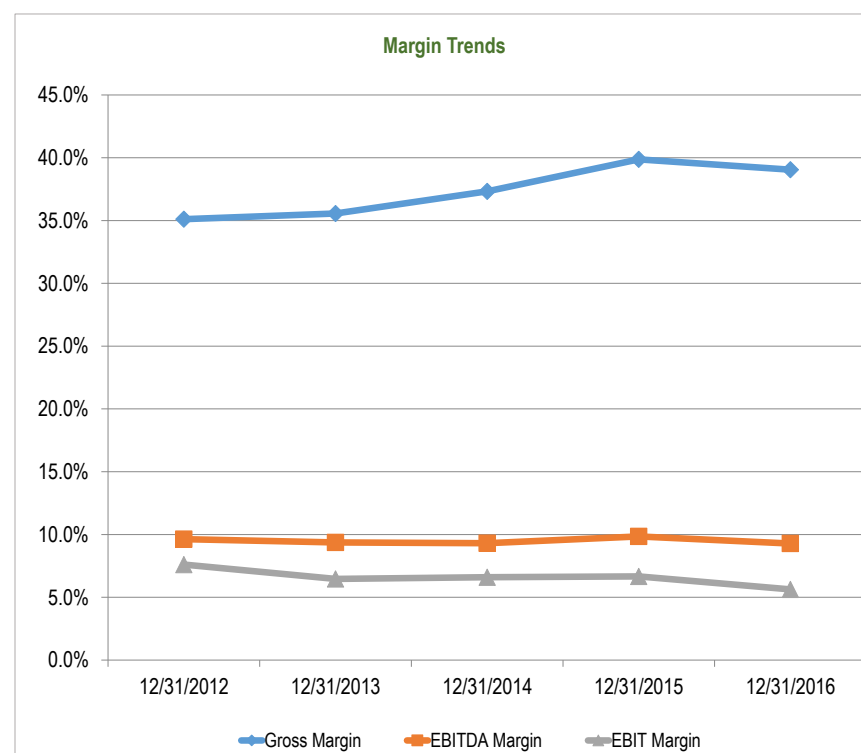
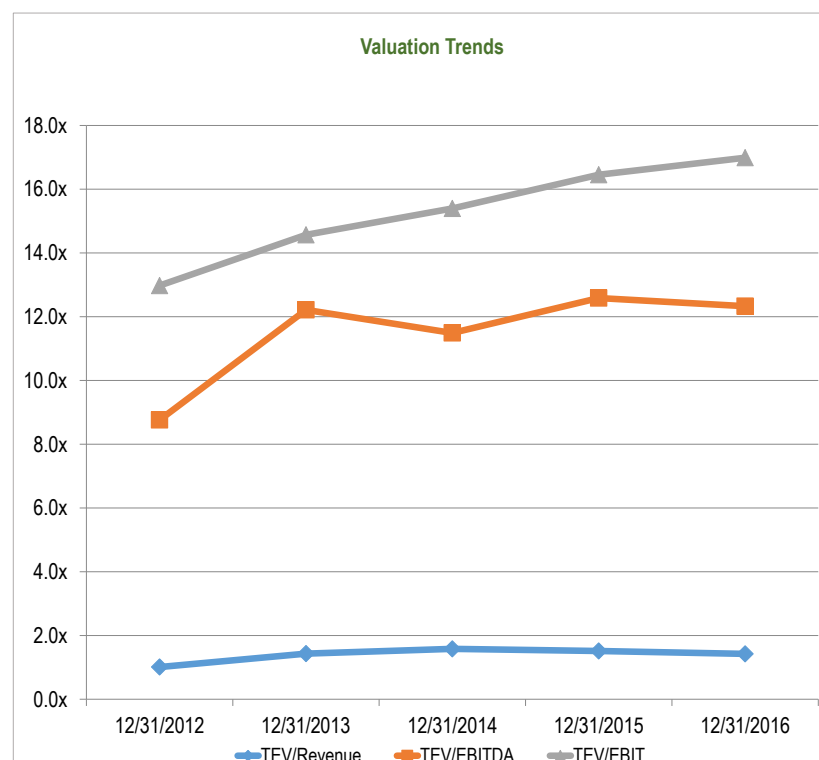
Services E-Health Technology

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,581	2.5x	17.4x	25.7x	TEV/Revenue	↓
Median	\$812	1.4x	12.3x	17.0x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	40.9%	1.6%	-0.2%	Gross Margin	↓
Median	39.1%	9.3%	5.6%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data



About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

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- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed dates only.

Glossary

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization
LTM - Last Twelve Months
TEV - Total Enterprise Value