



PCE Industry Report

Healthcare





Middle Market M&A Summary

2nd Quarter 2015

Healthcare

Key Highlights

- The average value of the top ten transactions was \$6.7 billion.
 - The largest transaction was the acquisition of Pharmacyclics, Inc. by AbbVie, Inc. for \$19.95 billion.
 - The smallest transaction was the acquisition of Concentra by Welsh, Carson, Anderson & Stowe; Select Medical Holdings Corporation; & Cressey & Company, LP for \$1 billion.
- The public company industry median TEV/ EBIT multiple is 19.5x.
- The public company industry median TEV/EBITDA multiple is 14.8x.

Key Trends

- The Services & E-Health Technology subsector's transaction volume was the largest at 43% of the industry over the past quarter. Consolidation and the investment of new capital into this subsector is expected to continue as industry service providers search for new and more efficient methods to deliver and manage healthcare services to the growing market.
- Hospitals and health systems continue to consolidate in an effort to contain costs. A variety of factors, including the Affordable Care Act, have caused smaller hospitals to partner with larger healthcare organizations and allow more bargaining power with payers. This has led to increased transaction volume over the past few years.
- Pharmaceuticals and biotechnology will continue to see strong profit margins and investment in capital equipment as the industry is in a growing economic life cycle phase. Conversely, the healthcare supplies and facilities industries will likely see decreasing margins as a result of consolidation. An aging population and new technologies should spur steady but low growth across the healthcare industry as a whole.

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

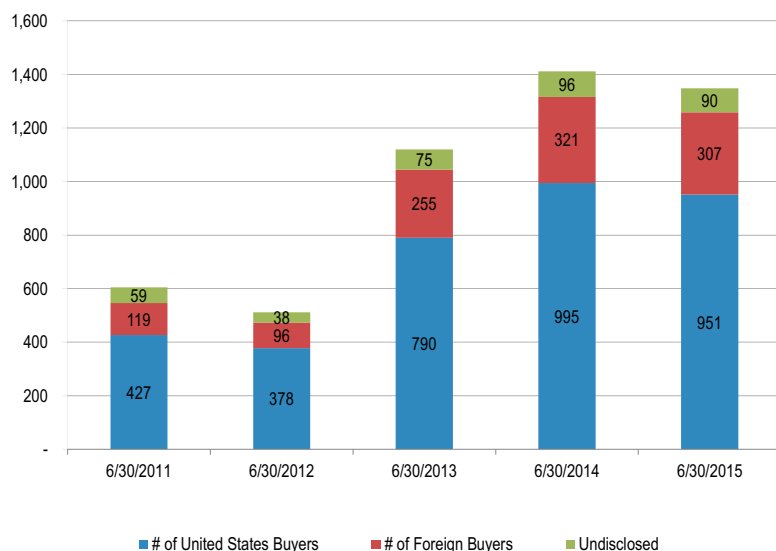
Healthcare - For the Quarter Ended 06/30/15

Industry Trends During Quarter

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

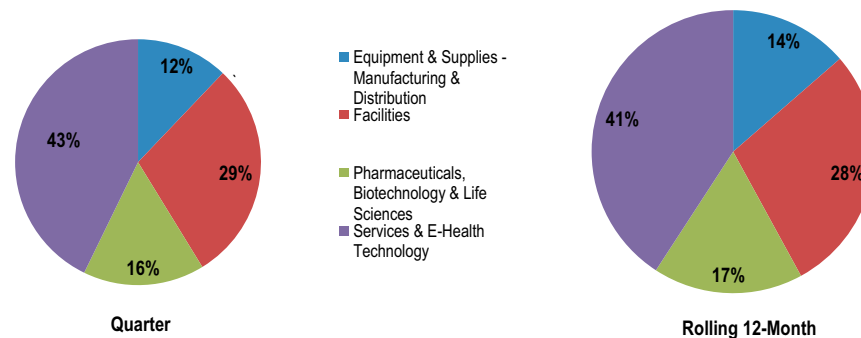
* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

Rolling 12-Month Transaction Volume Trends by Buyer Origin



Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

Transaction Volume as % of Industry



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

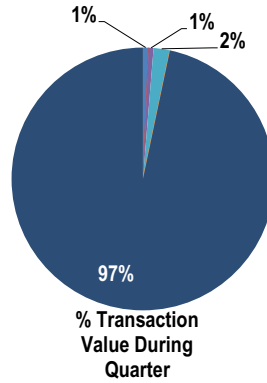
Sector	Target	Buyer	Transaction Value
Pharma, Biotech & Life Sciences	Pharmacyclics Inc.	AbbVie Inc.	\$19,950.0
Pharma, Biotech & Life Sciences	Salix Pharmaceuticals Ltd.	Valeant Pharmaceuticals International	\$14,039.7
Equip & Supplies - Manu Dist	LVB Acquisition, Inc.	Zimmer Holdings, Inc. (nka: Zimmer Biomet Holdings, Inc.)	\$13,926.0
Pharma, Biotech & Life Sciences	Synageva BioPharma Corp.	Alexion Pharmaceuticals, Inc.	\$8,955.6
Pharma, Biotech & Life Sciences	Auspex Pharmaceuticals, Inc.	Teva Pharmaceutical Industries Limited	\$3,414.3
Equip & Supplies - Manu Dist	Ikaria, Inc.	Mallinckrodt Enterprises LLC	\$2,300.0
Pharma, Biotech & Life Sciences	Flexus Biosciences, Inc.	Bristol-Myers Squibb Company	\$1,250.0
Equip & Supplies - Manu Dist	Animal Health International, Inc.	Patterson Companies, Inc.	\$1,100.0
Pharma, Biotech & Life Sciences	Hyperion Therapeutics, Inc.	Horizon Pharma USA, Inc.	\$1,092.5
Facilities	Concentra, Inc.	Welsh, Carson, Anderson & Stowe; Select Medical Holdings Corporation; Cressey & Company, LP; Welsh, Carson, Anderson & Stowe XII, L.P.	\$1,055.0

Equipment & Supplies - Manufacturing & Distribution - For the Quarter Ended 06/30/15

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

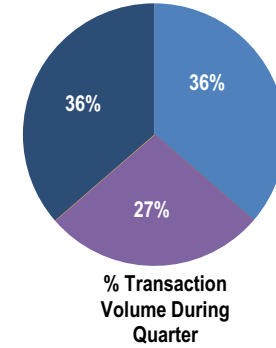
Number of Transaction in Sector	47
Number of Transactions with Disclosed Values	11
Transaction Value*	\$18,278.07
Average Transaction Value*	\$1,661.64
Median Transaction Value*	\$142.50

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



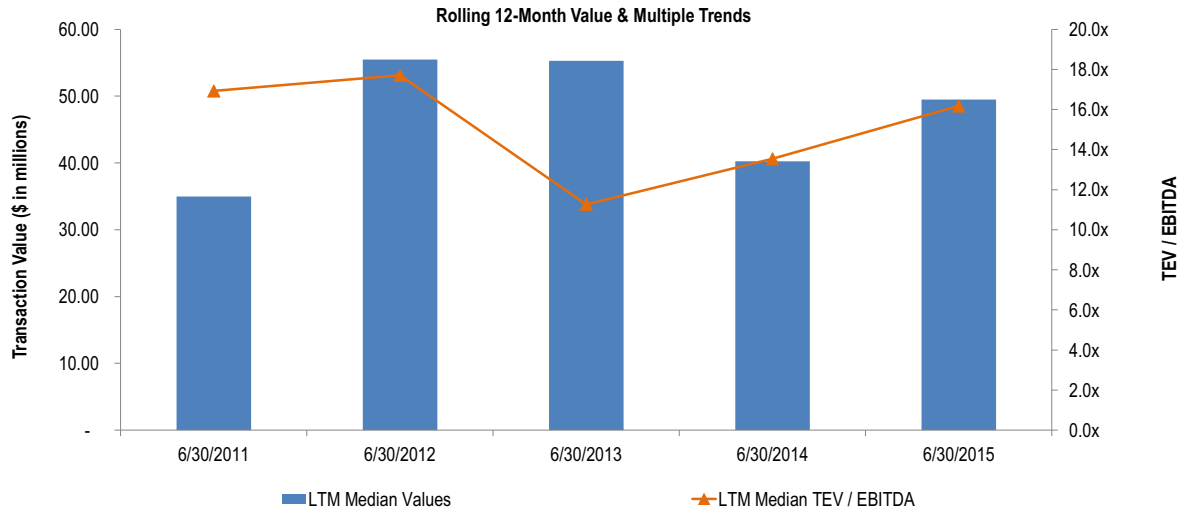
Transactions by Value & Volume

- Transactions <\$50MM
- Transactions \$50MM - \$100MM
- Transactions \$100MM - \$150MM
- Transactions \$150MM - \$200MM
- Transactions \$200MM - \$250MM
- Transactions > \$250MM



*Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends



* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

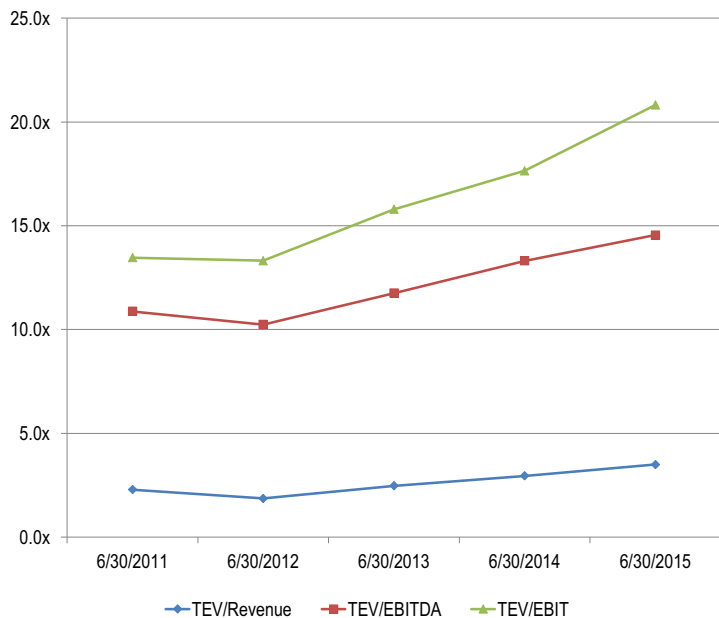
Equipment & Supplies - Manufacturing & Distribution - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

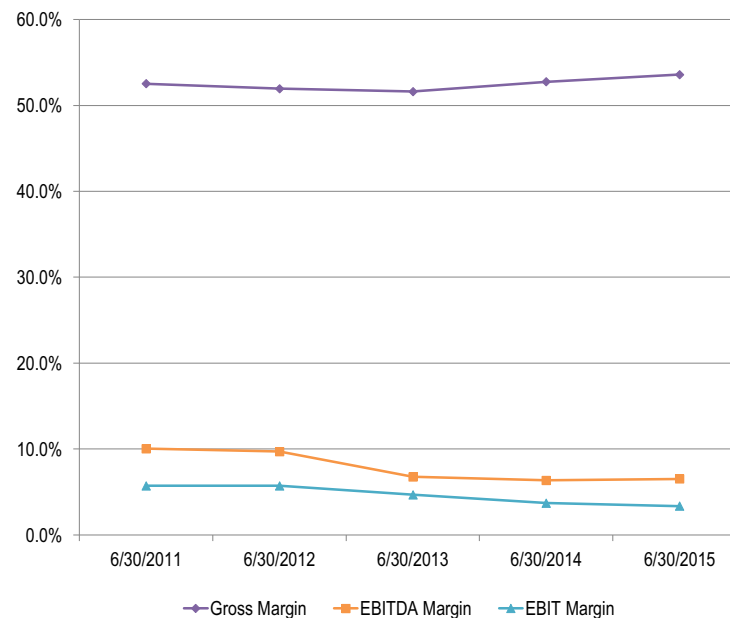
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,570	7.3x	22.5x	26.5x	TEV/Revenue	↑
Median	\$415	3.5x	14.6x	20.8x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	47.7%	-13.9%	-18.0%	Gross Margin	↑
Median	53.6%	6.5%	3.4%	EBITDA Margin	↑
				EBIT Margin	↓

Valuation Trends



Margin Trends



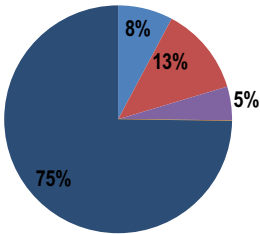
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

Facilities - For the Quarter Ended 06/30/15

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

Number of Transactions in Sector	113
Number of Transactions with Disclosed Values	23
Transaction Value*	\$2,265.73
Average Transaction Value*	\$98.51
Median Transaction Value*	\$13.50

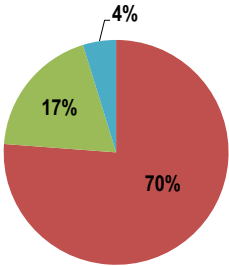
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% Transaction Value During Quarter

Transactions by Value & Volume

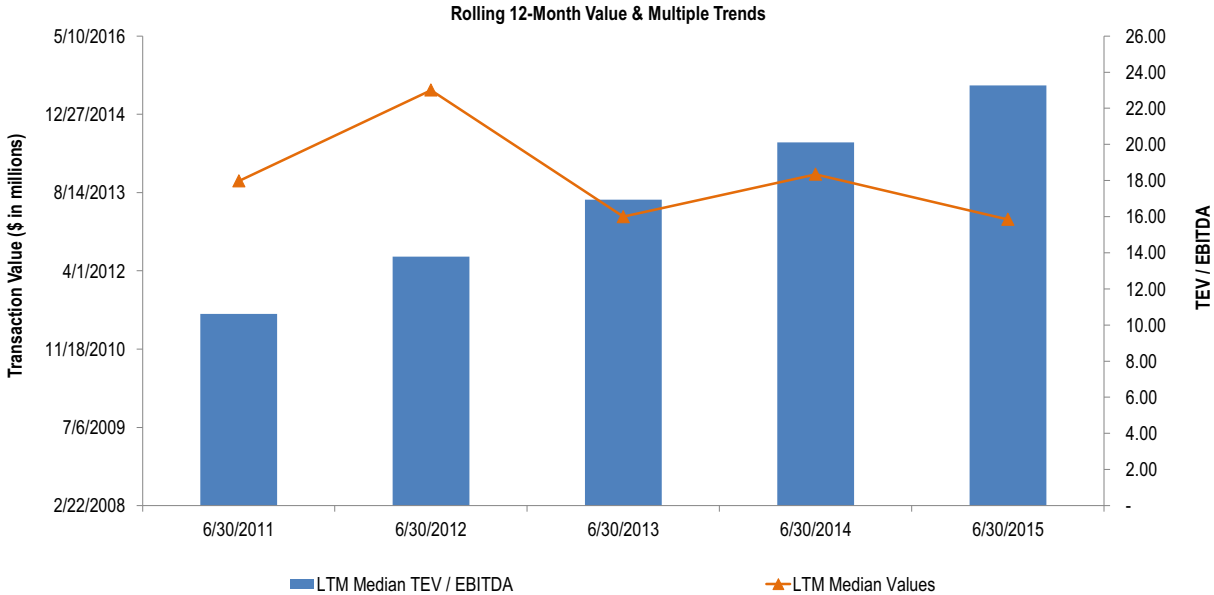
- Transactions <\$50MM
- Transactions \$50MM - \$100MM
- Transactions \$100MM - \$150MM
- Transactions >\$250MM



% Transaction Volume During Quarter

*Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends



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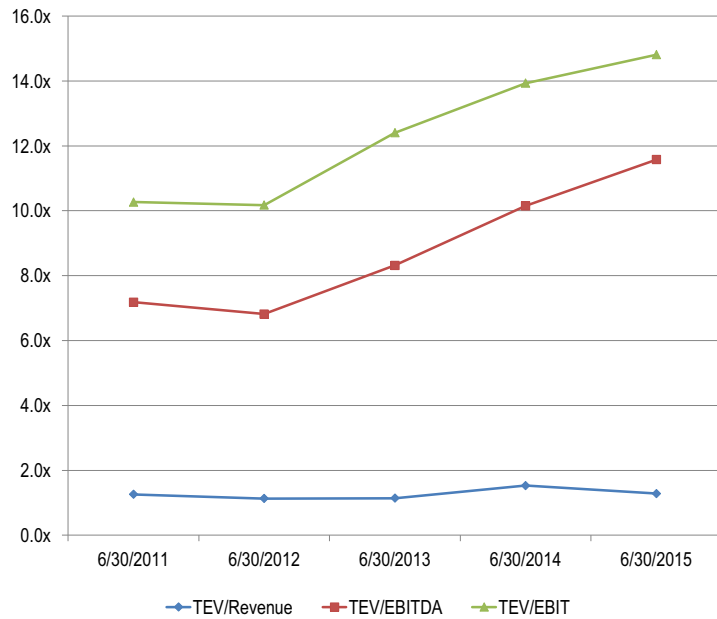
Facilities - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

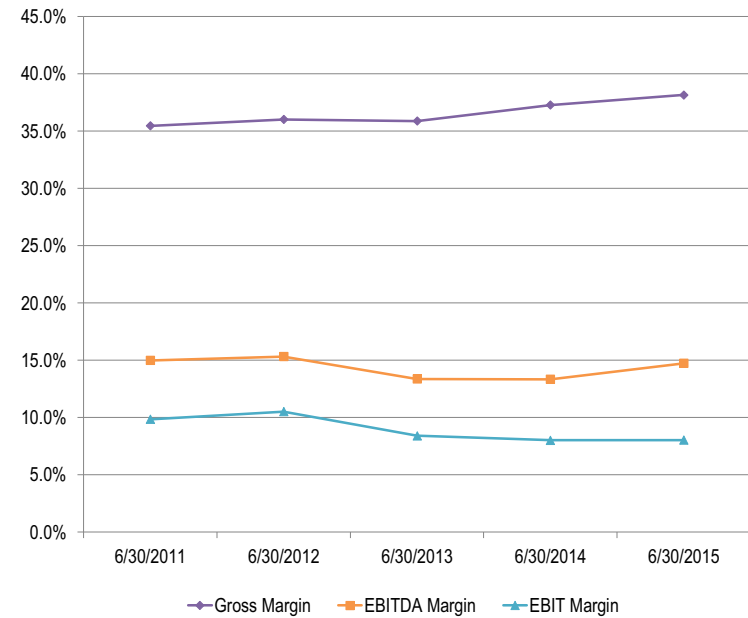
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,220	2.4x	14.3x	22.0x	TEV/Revenue	↑
Median	\$1,530	1.3x	11.6x	14.8x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	35.9%	12.1%	7.3%	Gross Margin	↓
Median	38.1%	14.7%	8.0%	EBITDA Margin	↑
				EBIT Margin	↑

Valuation Trends



Margin Trends



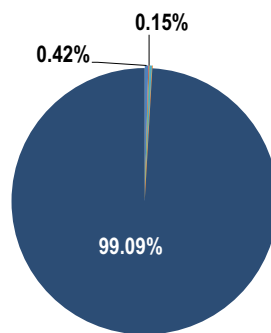
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

Pharmaceuticals, Biotechnology & Life Sciences - For the Quarter Ended 06/30/15

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

Number of Transactions in Sector	62
Number of Transactions with Disclosed Values	23
Transaction Value*	\$50,867.25
Average Transaction Value*	\$2,211.62
Median Transaction Value*	\$48.50

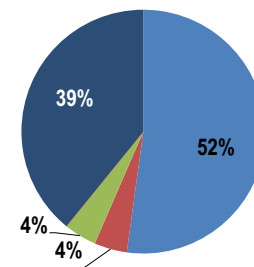
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% Transaction Value During Quarter

Transactions by Value & Volume

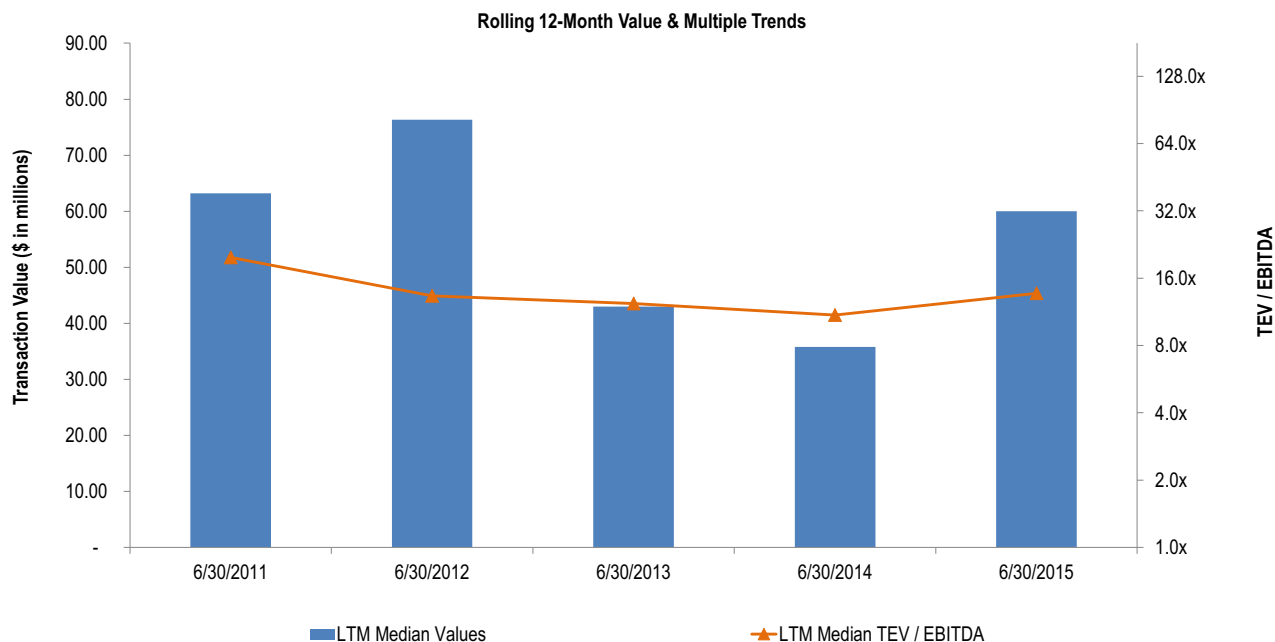
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% Transaction Volume During Quarter

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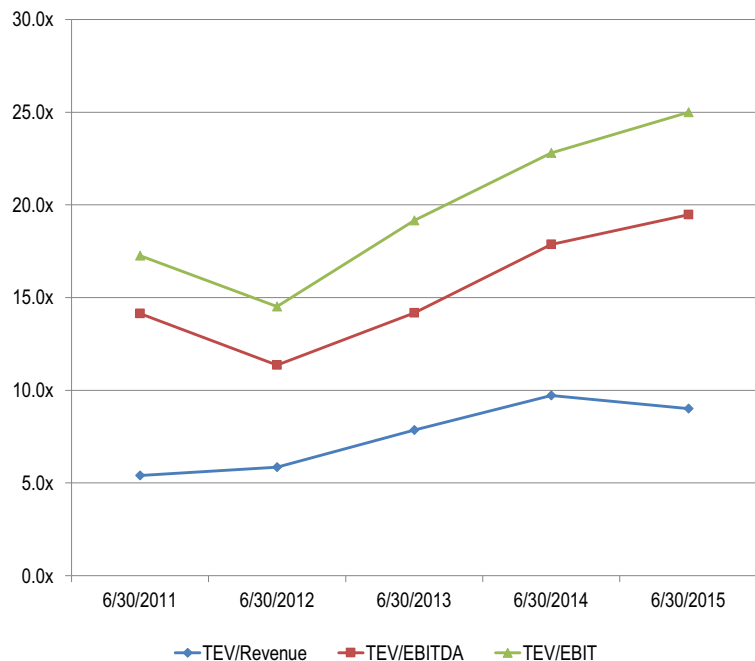
Pharmaceuticals, Biotechnology & Life Sciences - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

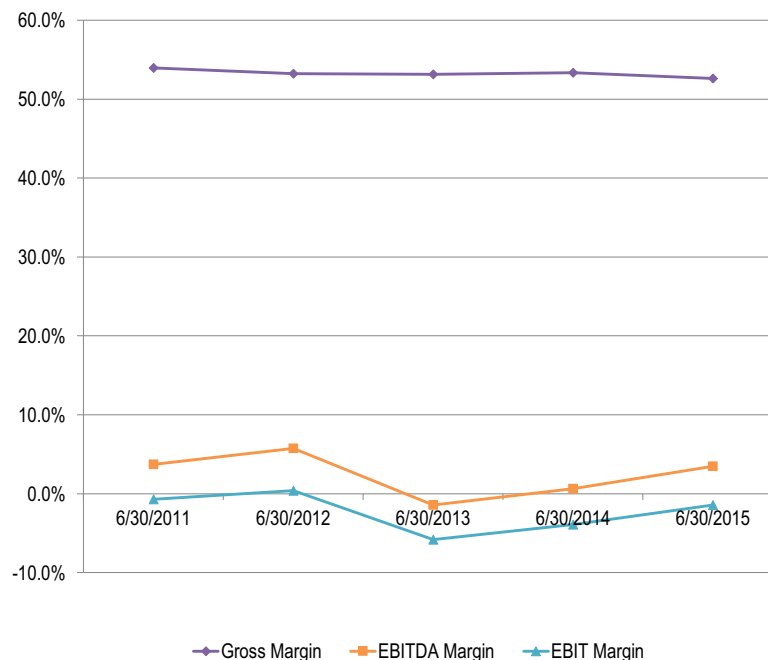
TEV				LTM 6/30/2015 Trends	
Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,597	28.8x	31.5x	36.8x	TEV/Revenue ↓
Median	\$414	9.0x	19.5x	25.0x	TEV/EBITDA ↑
					TEV/EBIT ↑

Margins			LTM 6/30/2015 Trends	
Gross Profit	EBITDA	EBIT		
Average	32.0%	-39.0%	-42.7%	Gross Margin ↓
Median	52.6%	3.5%	-1.4%	EBITDA Margin ↑
				EBIT Margin ↑

Valuation Trends



Margin Trends



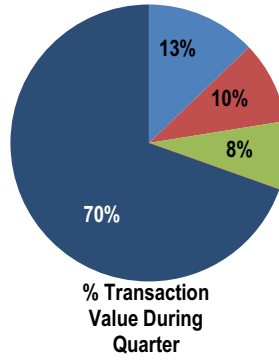
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Services & E-Health Technology - For the Quarter Ended 06/30/15

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

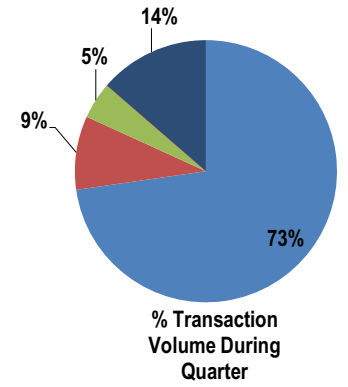
Number of Transactions in Sector	166
Number of Transactions with Disclosed Values	22
Transaction Value*	\$1,754.00
Average Transaction Value*	\$79.73
Median Transaction Value*	\$24.05

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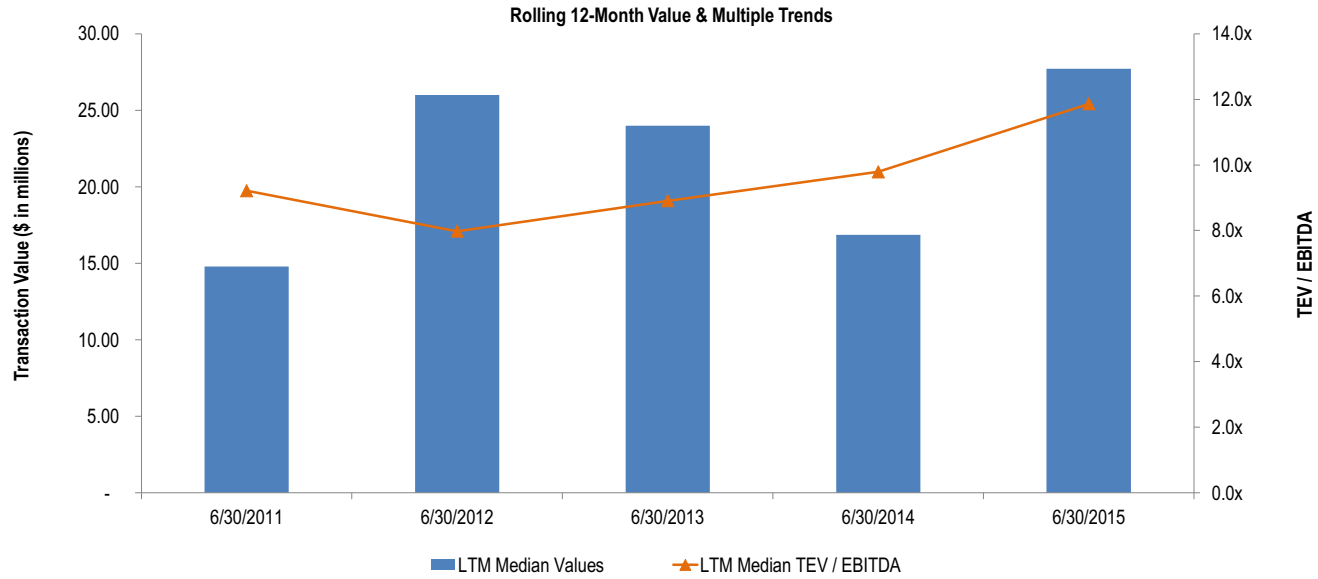
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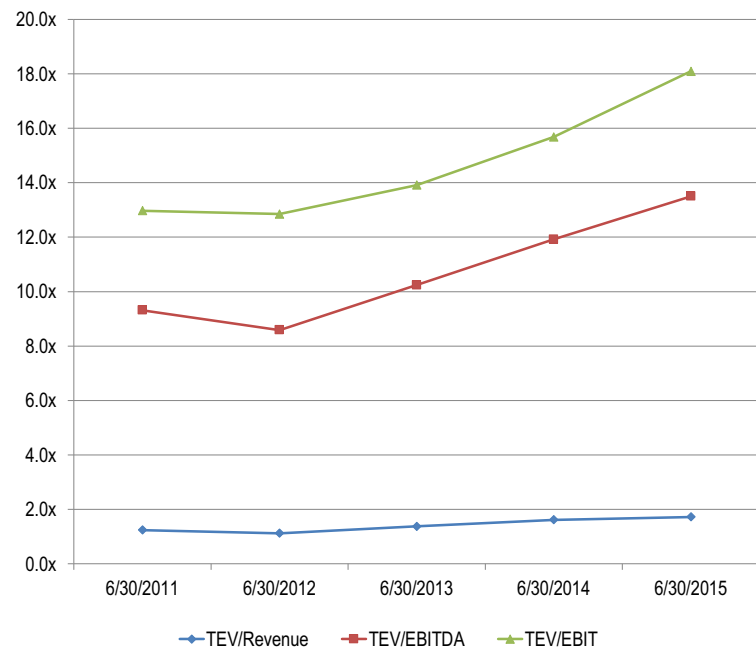
Services & E-Health Technology - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

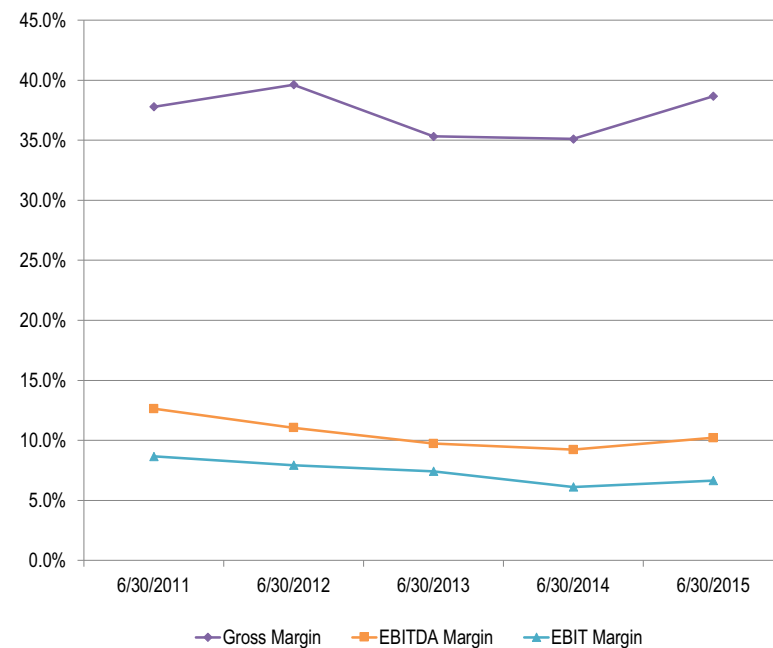
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,175	3.1x	23.1x	26.1x	TEV/Revenue	↑
Median	\$957	1.7x	13.5x	18.1x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	40.0%	5.6%	0.5%	Gross Margin	↑
Median	38.7%	10.2%	6.7%	EBITDA Margin	↑
				EBIT Margin	↑

Valuation Trends



Margin Trends



Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

Data Assumptions

At PCE, we consider 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 announced dates.

Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value



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About PCE

Eighteen years ago, PCE was formed to provide professional investment banking, business valuation and advisory services to middle market companies. We determined from our experience as business owners that there was a need that was not being professionally fulfilled.

We understand the importance of creating a relationship and the value of trust when providing our services. PCE's professionals are successful business owner, entrepreneurs, lenders, former Federal Reserve board members, CPA's, CFA's, national & international valuation experts, international analysts and investors. PCE offers senior level attention, sound advice, skilled execution and personalized attention you can trust.

Our mission is to be the premier investment bank serving middle market companies. PCE is committed to providing individualized strategies throughout your business life-cycle, focused on maximizing shareholder value.

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