



PCE Industry Report

Healthcare



Middle Market M&A Summary

Healthcare

1st Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$2.9 billion.
 - The largest transaction was the acquisition of Health Net, Inc. by Centene Corp. for \$6.8 billion.
 - The smallest transaction was the acquisition of Crealta Pharmaceuticals LLC by Horizon Pharma USA, Inc. for \$510 million.
- The public company industry median TEV/EBIT multiple is 17.9x.
- The public company industry median TEV/EBITDA multiple is 12.9x.

Key Trends

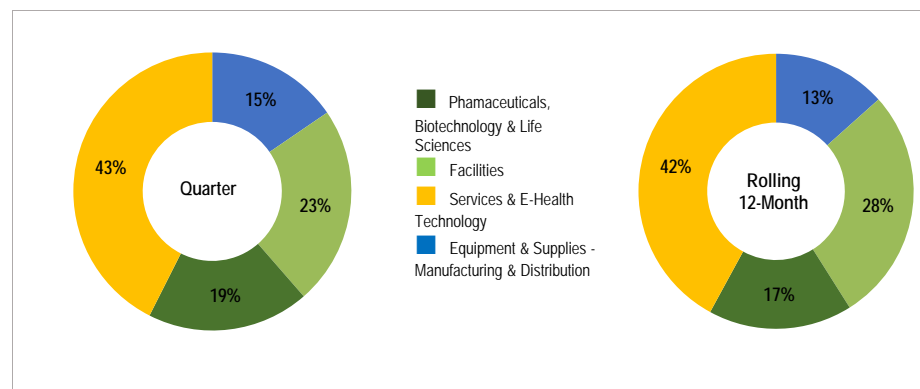
- Healthcare sector employment increased by 37,000 in March, which was in line with the average monthly gain over the trailing 12 months. March employment increased in ambulatory health care services, up +27,000 and hospitals, increasing +10,000. Over the year, health care employment has increased by 503,000, according to the Bureau of Labor Statistics.
- Healthcare stocks in the S&P500 had a rough start to the year, down -6.9%.
- Like airlines during their period of consolidation, health insurers are making long term bets that greater market share will create operating efficiencies and improve profitability.
- According to Fierce Healthcare Finance, approximately 150 drugs are in short supply in hospitals, leading to rationing and ethical dilemmas as to who receive them. Possible reasons for the shortages include safety issues as well as manufacturing issues, however, there is significant skepticism around the manipulation of this supply after the highly publicized behavior of drug companies (Valeant and Turing) purchasing the rights to existing drugs and hiking the prices up to 50 times.
- Drug companies are looking beyond traditional M&A by acquiring products and services throughout the healthcare industry to bolster their portfolios and pipelines of drugs.
- As new medical devices utilize the internet to “connect” the patient to the “doctor” and electronic health records (EHR) systems are more broadly utilized, cybersecurity will be an increased focus of growth and importance in the healthcare industry.

Industry Trends During Quarter

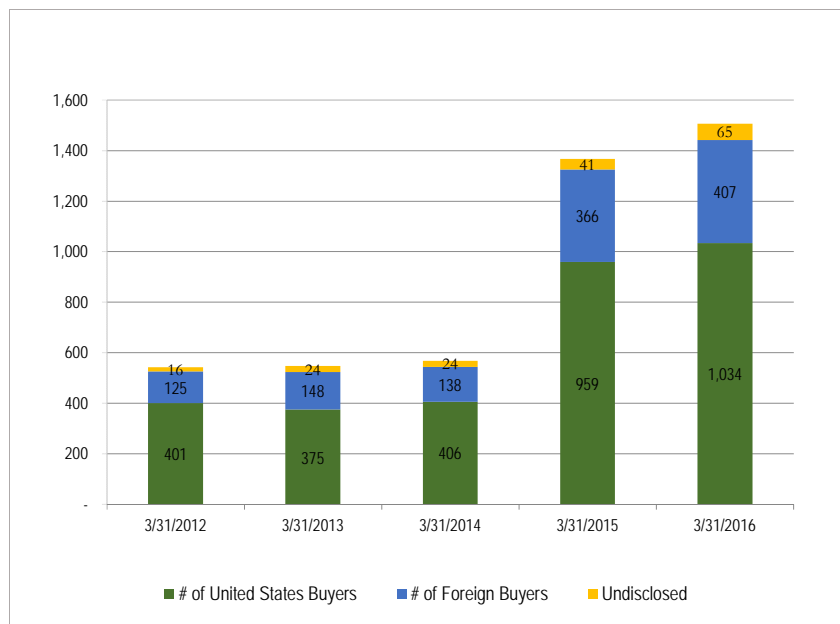
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Equipment & Supplies - Manufacturing & Distribution	↑	↑	↓
Facilities	↓	↑	↑
Pharmaceuticals, Biotechnology & Life Sciences	↑	↓	↓
Services & E-Health Technology	↓	↑	↓

* 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 4/28/2016 and PCE Proprietary Data

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

Sector	Target	Buyer	Transaction Value
Services & E-Health	Health Net, Inc.	Centene Corp.	\$6,849.09
Pharma, Biotech & Life Sciences	Dyax Corp.	Shire Pharmaceuticals International	\$6,539.2
Equip & Supplies - Manu Dist	Sirona Dental Systems Inc.	DENTSPLY SIRONA Inc.	\$5,520.47
Pharma, Biotech & Life Sciences	Bristol-Myers Squibb, Late-Stage HIV R&D and Preclinical and Discovery Stage HIV Research Assets	ViiV Healthcare Company	\$2,905.0
Services & E-Health	MedAssets, Inc.	Pamplona Capital Management LLP, Private Equity; Pamplona Capital Partners IV LP	\$2,775.22
Pharma, Biotech & Life Sciences	Roxane Laboratories, Inc.	Eurohealth (U.S.A.), Inc.	\$1,927.3
Facilities	Winterfell Healthcare Owner General Partnership	Winterfell Healthcare Holdings - NT-HCI, LLC; Winterfell Healthcare NT-HCI CAM2, LLC	\$923.30
Services & E-Health	Alliance Healthcare Services, Inc.	Fujian Thaihot Investment Co., Ltd.	\$725.5
Facilities	Aston Care Systems, Inc.	Welltower Inc.; Canada Pension Plan Investment Board; Discovery Senior Living	\$569.00
Pharma, Biotech & Life Sciences	Crelta Pharmaceuticals LLC	Horizon Pharma USA, Inc.; HZNP Limited	\$510.0

Equipment & Supplies - Manufacturing & Distribution

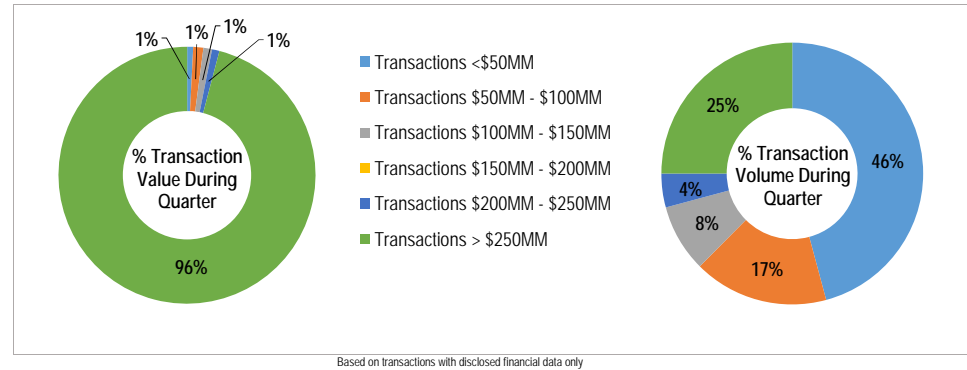
1st Quarter 2016

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

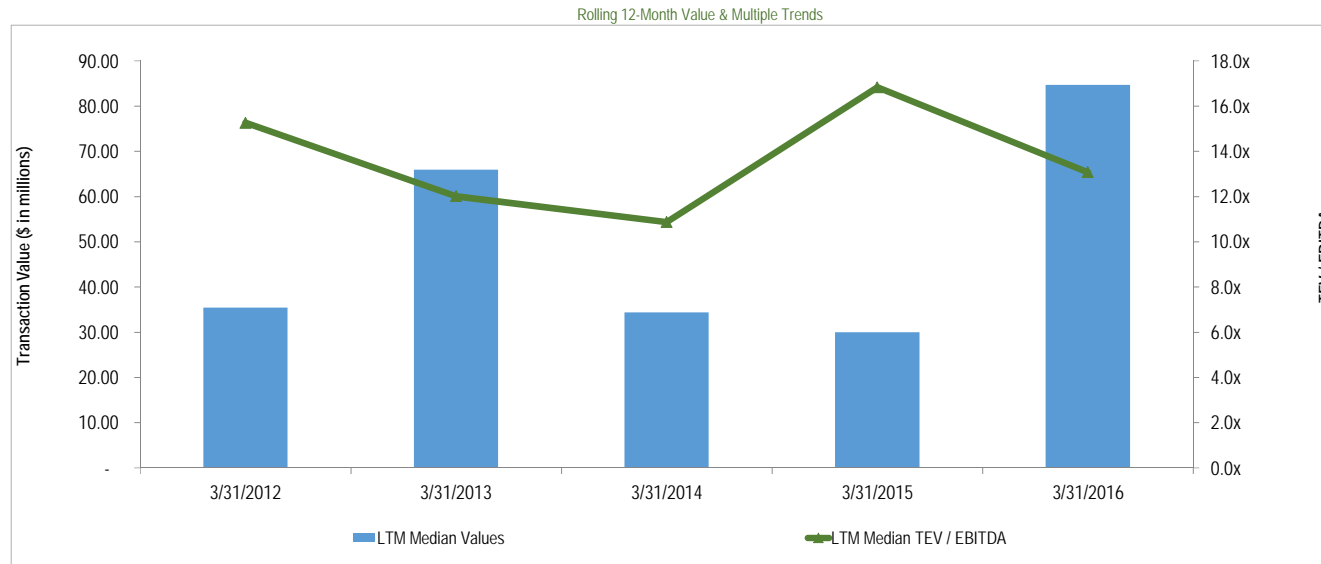
Transaction Volume	58
Number of Transactions with Disclosed Values	24
Transaction Value*	\$24,599.87
Average Transaction Value*	\$1,068.66
Median Transaction Value*	\$66.00

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

Transaction by Value & Volume



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 4/28/2016 and PCE Proprietary Data

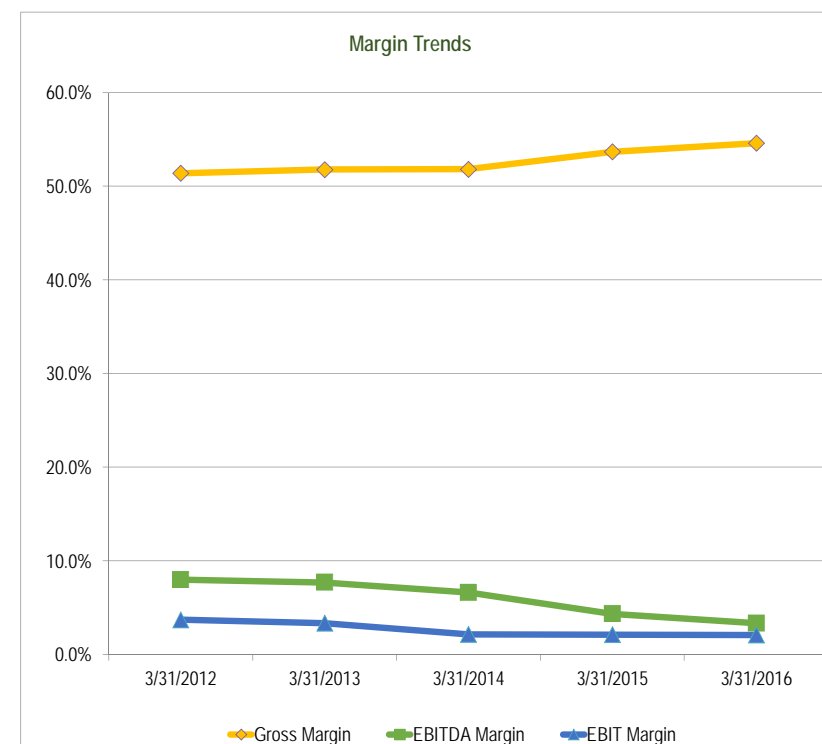
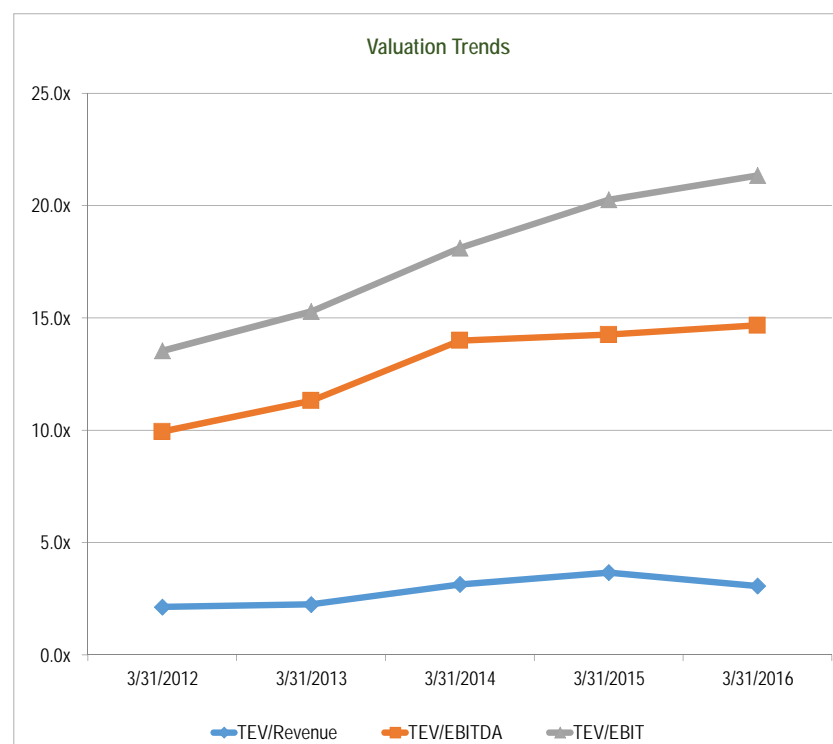
Equipment & Supplies - Manufacturing & Distribution

1st Quarter 2016

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

	Total Enterprise Enterprise				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,412	4.5x	24.9x	31.9x	TEV/Revenue	↓
Median	\$281	3.1x	14.7x	21.3x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	50.5%	-14.2%	-18.6%	Gross Margin	↑
Median	54.6%	3.3%	2.1%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/28/2016 and PCE Proprietary Data

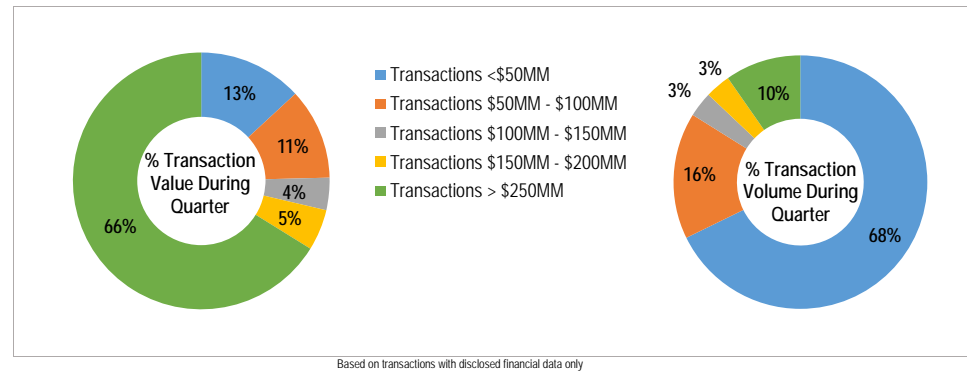


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	87
Number of Transactions with Disclosed Values	31
Transaction Value*	\$3,255.03
Average Transaction Value*	\$89.74
Median Transaction Value*	\$89.74

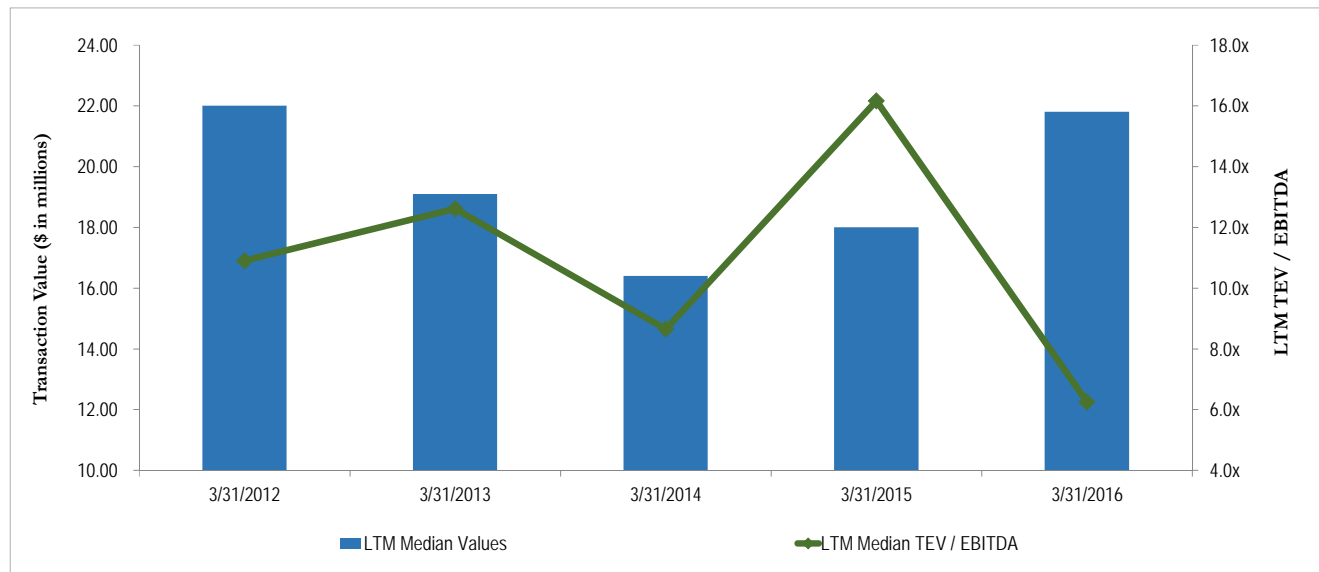
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Transaction by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



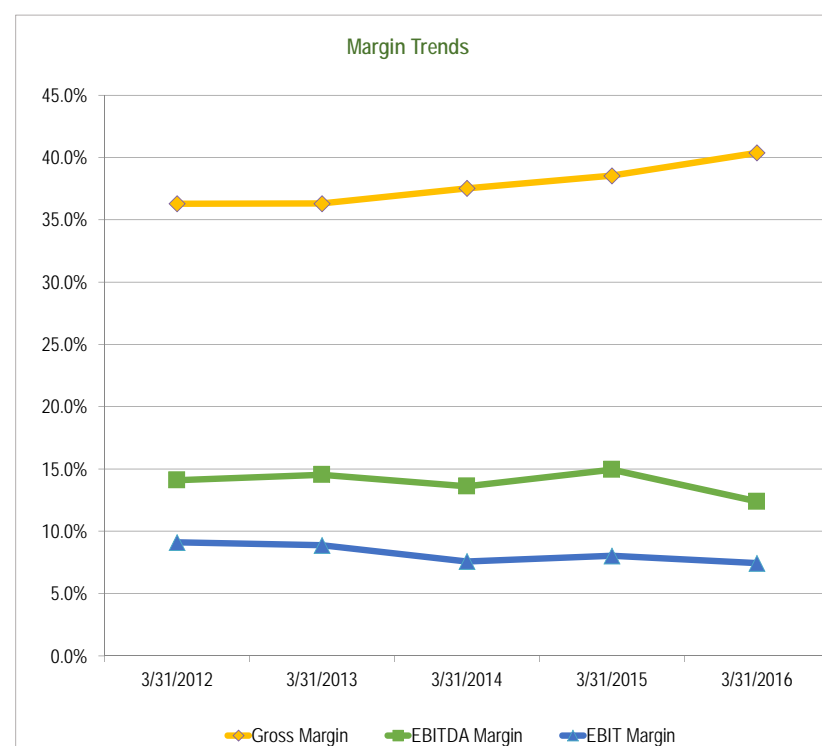
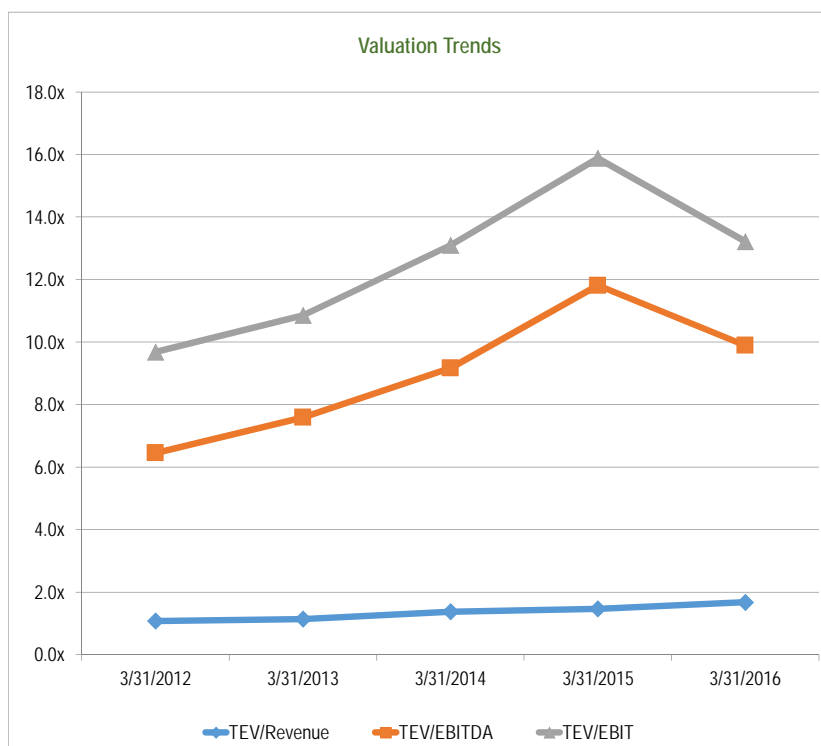
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Source: S&P Capital IQ as of 4/28/2016 and PCE Proprietary Data

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

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,229	2.1x	10.7x	21.1x	TEV/Revenue	↑
Median	\$1,160	1.7x	9.9x	13.2x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	39.0%	11.4%	4.9%	Gross Margin	↑
Median	40.4%	12.4%	7.4%	EBITDA Margin	↓
				EBIT Margin	↓



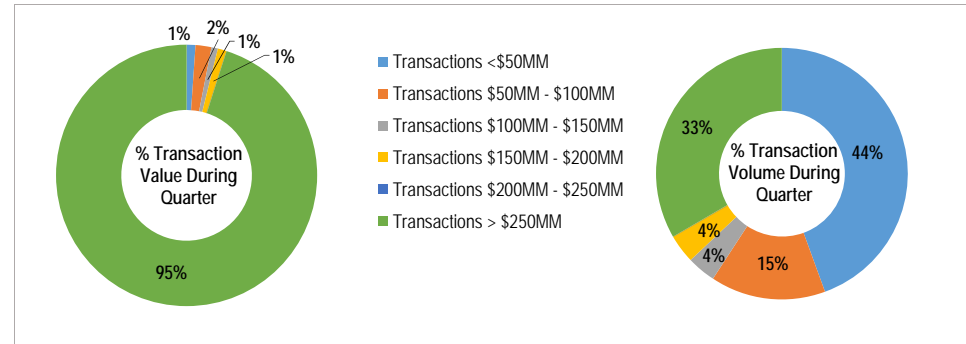
Source: S&P Capital IQ as of 4/28/2016 and PCE Proprietary Data

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

Transaction Volume	71
Number of Transactions with Disclosed Values	27
Transaction Value*	\$16,115.63
Average Transaction Value*	\$591.59
Median Transaction Value*	\$75.00

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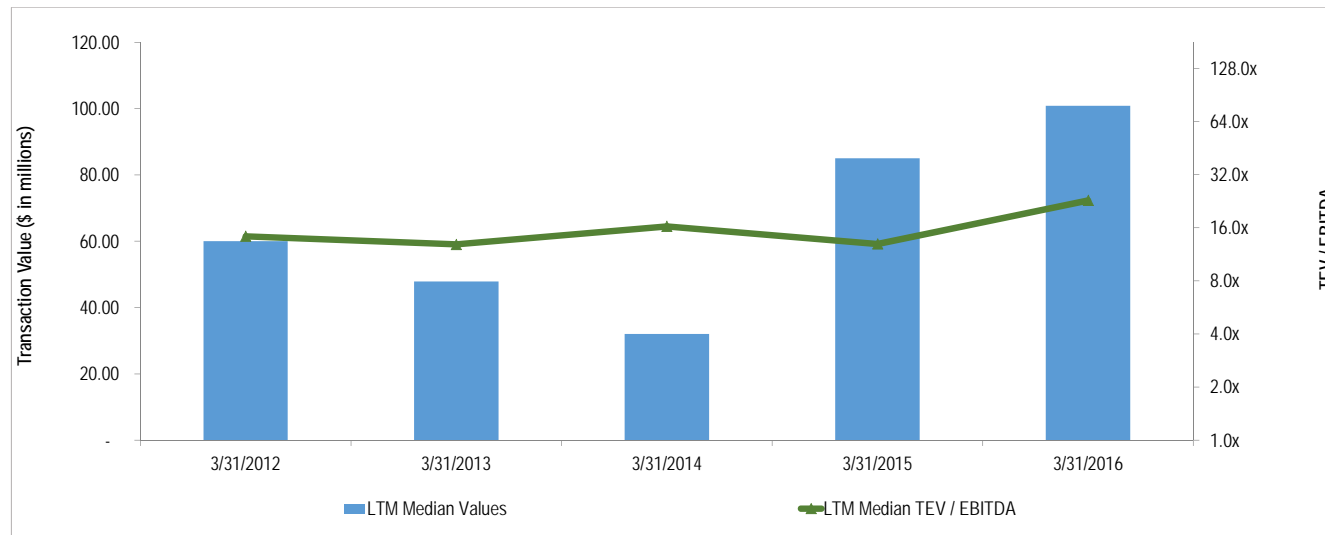
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



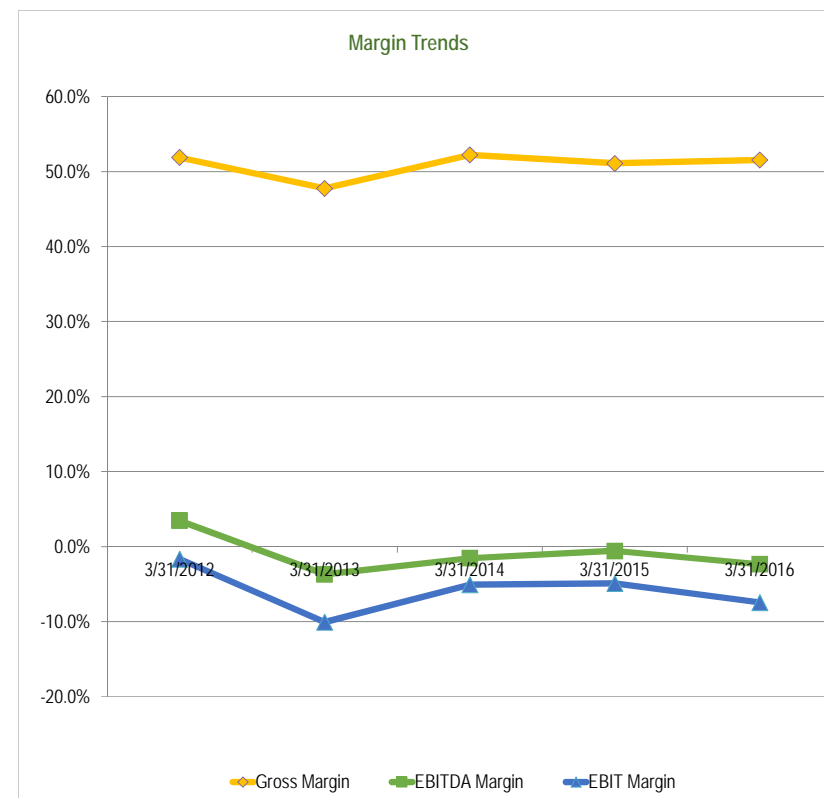
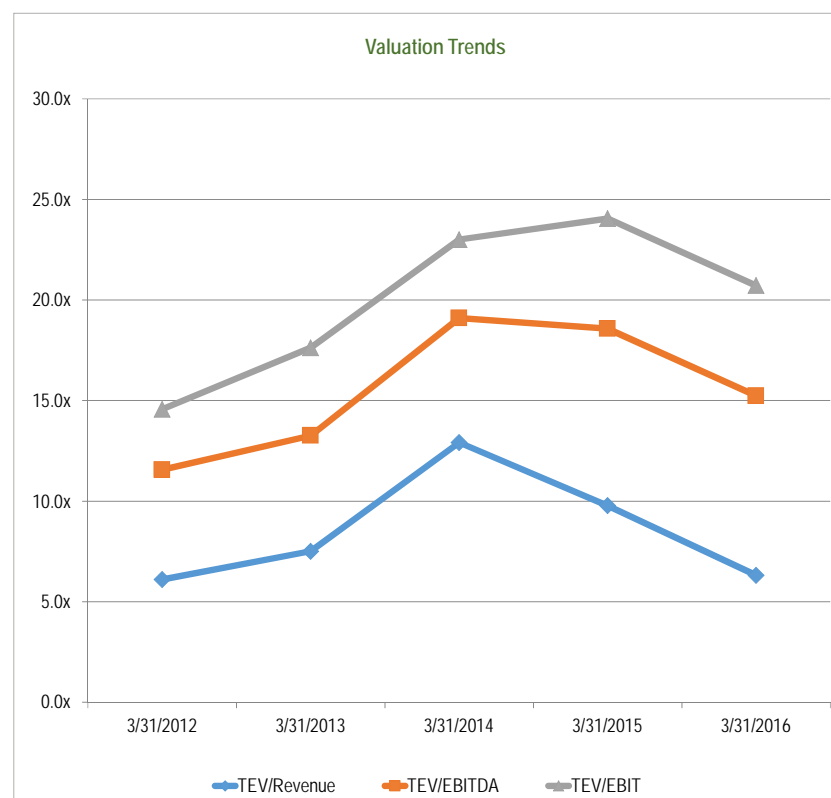
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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,825	25.4x	27.6x	35.5x	TEV/Revenue	↓
Median	\$258	6.3x	15.2x	20.7x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	27.7%	-36.1%	-41.3%	Gross Margin	↑
Median	51.5%	-2.3%	-7.4%	EBITDA Margin	↓
				EBIT Margin	↓



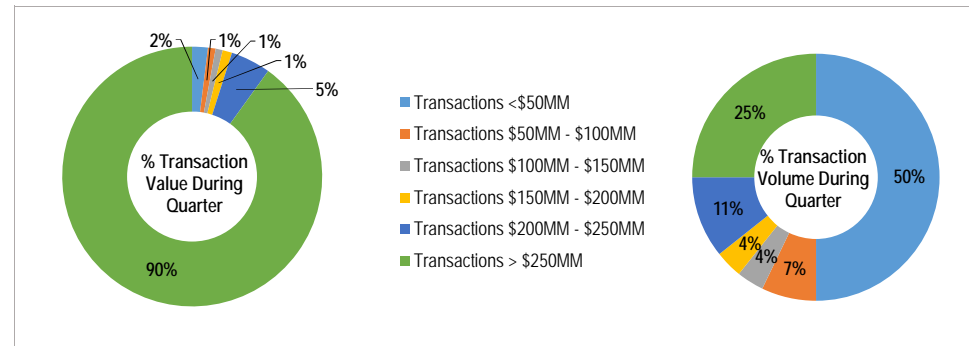
Source: S&P Capital IQ as of 4/28/2016 and PCE Proprietary Data

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

Transaction Volume	160
Number of Transactions with Disclosed Values	28
Transaction Value*	\$13,402.93
Average Transaction Value*	\$505.67
Median Transaction Value*	\$42.16

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

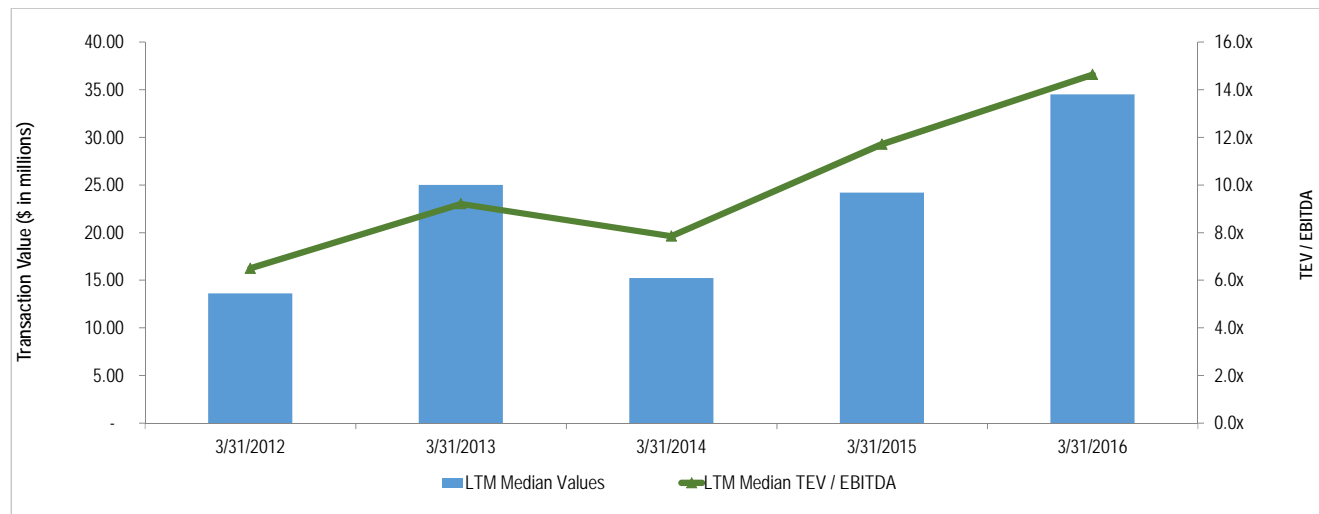
Transactions by Value & Volume



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Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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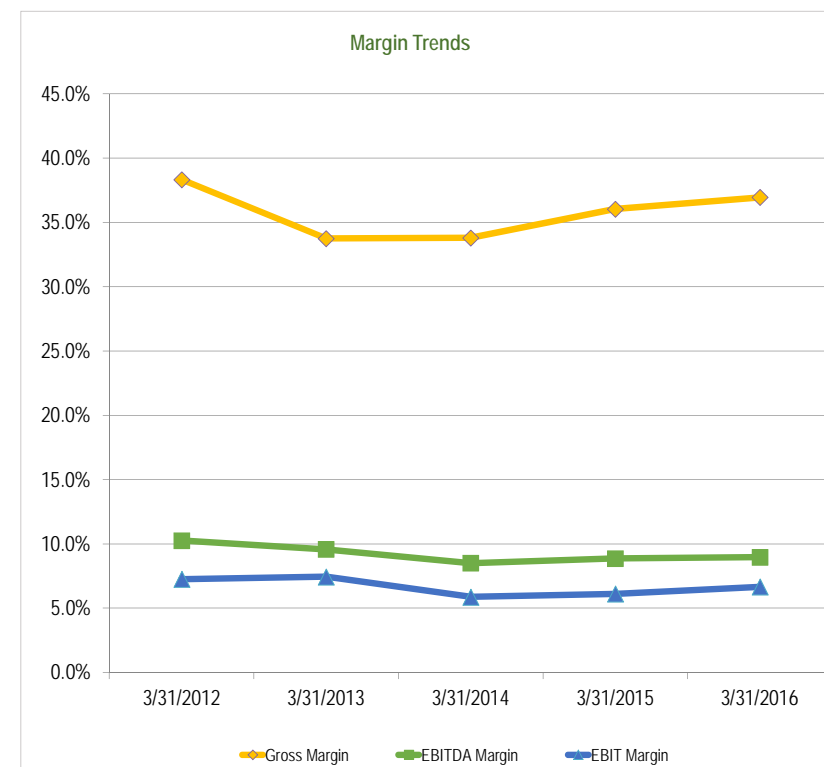
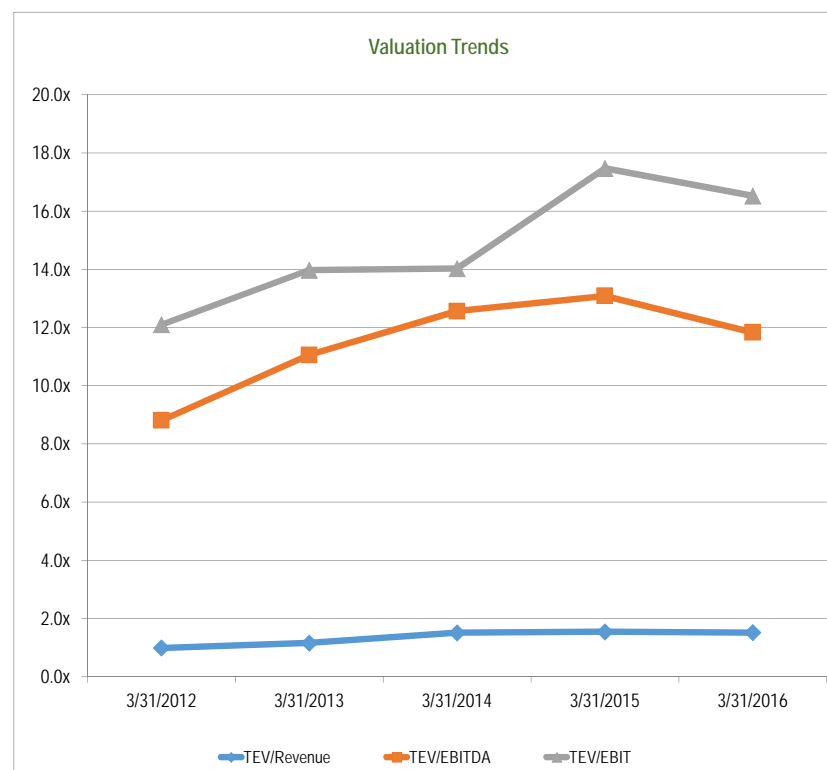
Services & E-Health Technology

1st Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,580	2.1x	19.0x	23.0x	TEV/Revenue	↓
Median	\$670	1.5x	11.8x	16.5x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	39.1%	3.2%	1.6%	Gross Margin	↑
Median	37.0%	9.0%	6.7%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/28/2016 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:

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- 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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- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
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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/announced dates only.

Glossary

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