



PCE Industry Report

Healthcare



Middle Market M&A Summary

Healthcare

4th Quarter 2015

Key Highlights

- The average value of the top ten transactions was \$2.09 billion.
 - The largest transaction was the acquisition of Thoratec Corp. by SJM International, Inc. for \$3.7 billion.
 - The smallest transaction was the acquisition of Kremers Urban Pharmaceuticals Inc. by Lannett Company, Inc. for \$1.23 billion.
- The public company industry median TEV/EBIT multiple is 18.3x.
- The public company industry median TEV/EBITDA multiple is 13.4x.

Key Trends

- While 2015 M&A activity trended down slightly over 2014, transaction volume is still near twice the levels recently seen in years prior to 2014.
- During the past quarter, the Equipment & Supplies - Manufacturing & Distribution subsector's transaction volume is trending positively, while the Services & E-Health Technology, Pharmaceuticals, Biotechnology & Life Sciences, and Facilities subsectors are trending negatively.
- Despite the slight drop in total transactions, the Services & E-Health Technology subsector's transaction volume continues to expand representing 43% of the industry over the past year compared to 41% in 2014.
- 2015 brought a patent cliff for many companies in the Pharmaceuticals, Biotechnology & Life Science subsector. Companies faced with revenue loss due to patent expirations are expected to continue to push larger M&A transactions in the coming years.¹
- With the expanding market for drugs, Pharmaceuticals will remain the largest biotechnology subsector, and will experience the greatest growth.¹

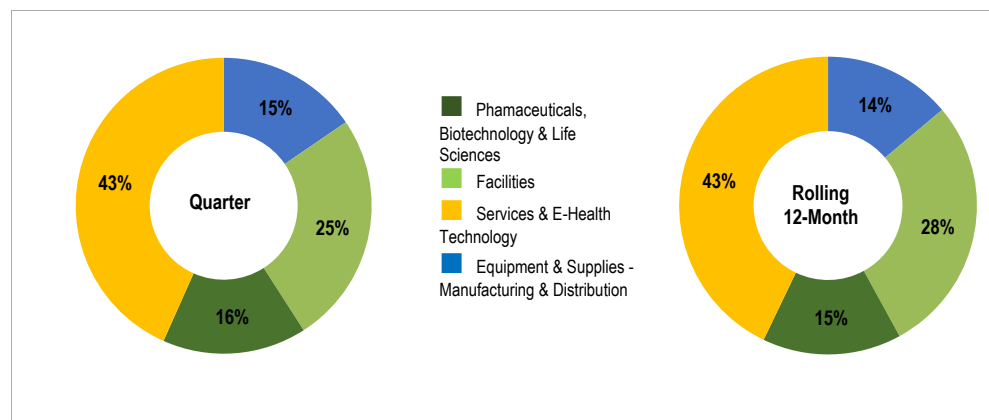
Source: ¹ *Biotechnology in the US. (November 2015), IBIS World*

Industry Trends During Quarter

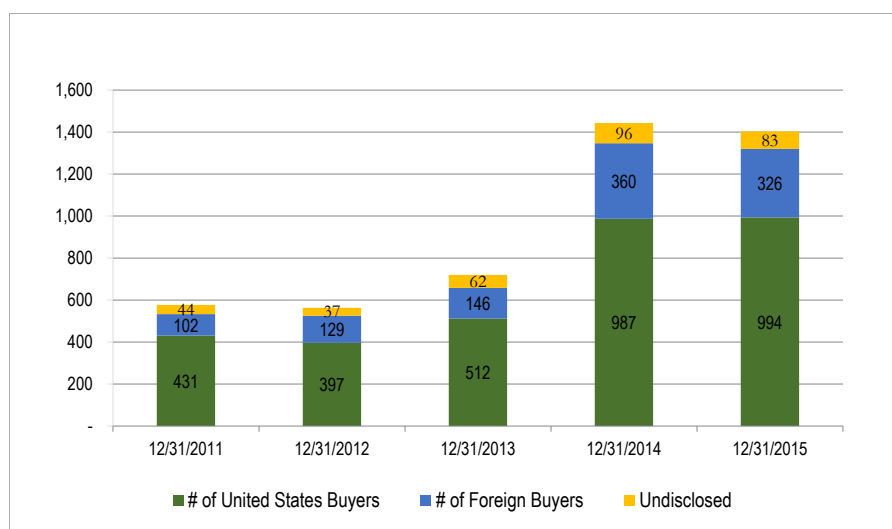
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Equipment & Supplies - Manufacturing & Distribution	↑	↑	↑
Facilities	↓	↑	↑
Pharmaceuticals, Biotechnology & Life Sciences	↓	↑	↑
Services & E-Health Technology	↓	↑	↑

* 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



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

Sector	Target	Buyer	Transaction Value
Equip & Supplies - Manu Dist	Thoratec Corp.	SJM International, Inc.	\$3,696.3
Pharma, Biotech & Life Sciences	PharMEDium Healthcare Holdings, Inc.	AmerisourceBergen Drug Corporation	\$3,082.2
Pharma, Biotech & Life Sciences	ZS Pharma, Inc.	Zeneca, Inc.	\$2,284.4
Pharma, Biotech & Life Sciences	Kythera Biopharmaceuticals, Inc.	Allergan plc	\$2,152.6
Pharma, Biotech & Life Sciences	Cardioxyl Pharmaceuticals, Inc.	Bristol-Myers Squibb Company	\$2,075.0
Equip & Supplies - Manu Dist	Ethicon, Inc., Certain Assets of Cordis Business	Cardinal Health, Inc.	\$1,944.0
Equip & Supplies - Manu Dist	Accellent Inc.	Greatbatch, Inc.	\$1,730.0
Services & E-Health	IPC Healthcare, Inc.	Team Health Holdings, Inc.	\$1,487.6
Services & E-Health	Care1st Health Plan, Inc.	Blue Shield of California Life & Health Insurance Company	\$1,250.0
Pharma, Biotech & Life Sciences	Kremers Urban Pharmaceuticals Inc.	Lannett Company, Inc.	\$1,230.0

Source: S&P Capital IQ as of 1/25/2016 and PCE Proprietary Data

Equipment & Supplies - Manufacturing & Distribution

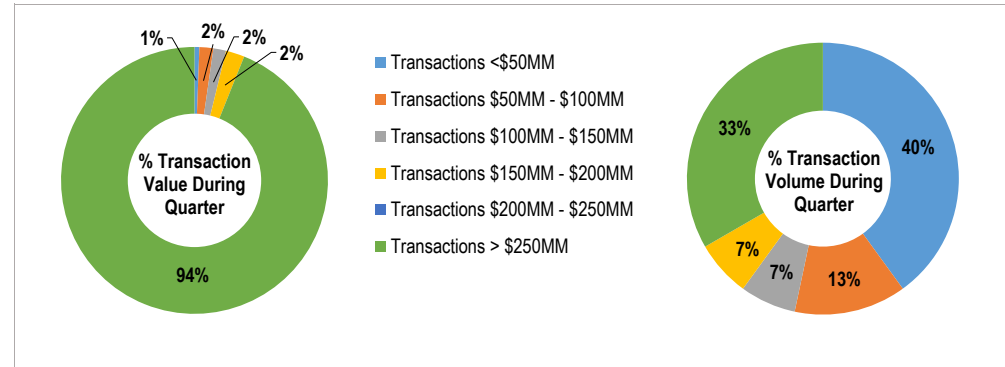
4th Quarter 2015

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

Transaction Volume	51
Number of Transactions with Disclosed Values	15
Transaction Value*	\$8,654.33
Average Transaction Value*	\$618.12
Median Transaction Value*	\$109.60

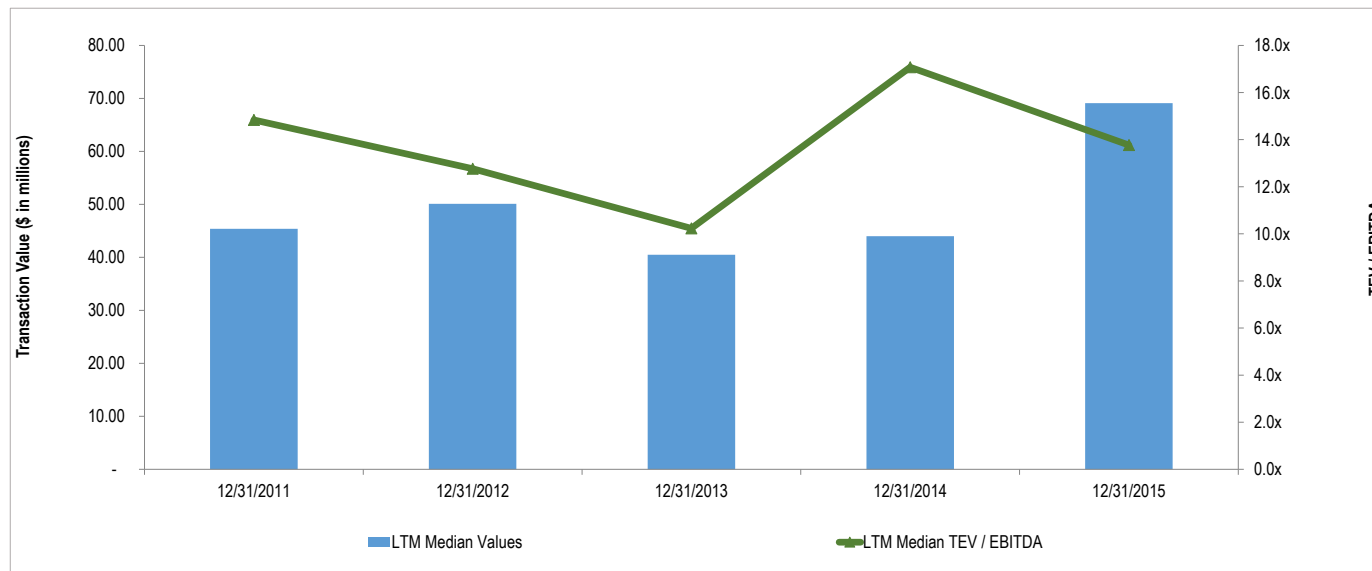
**Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.*

Transaction by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & 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.*

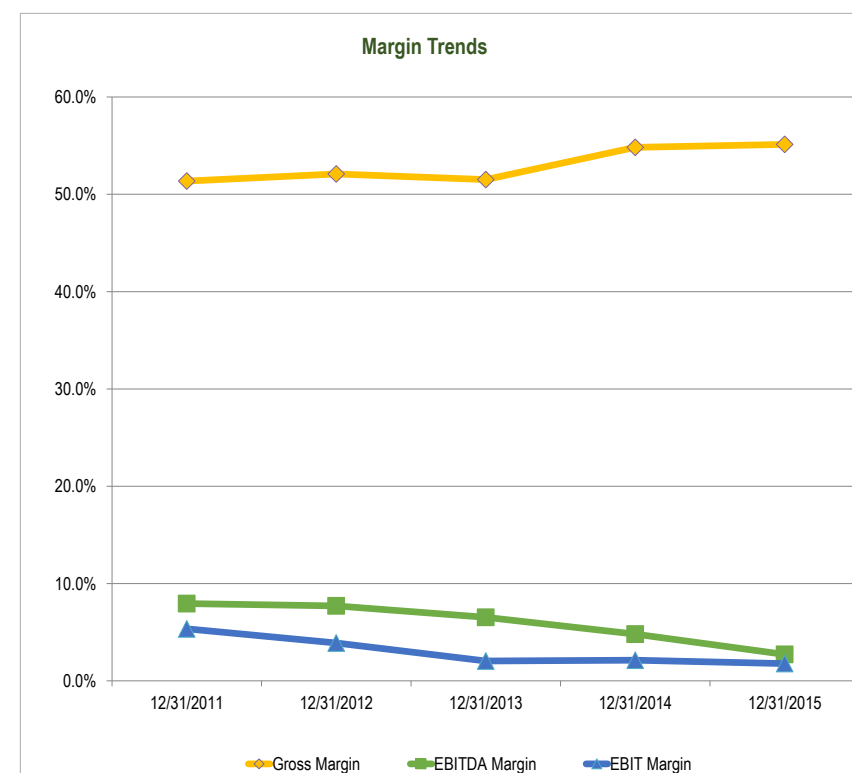
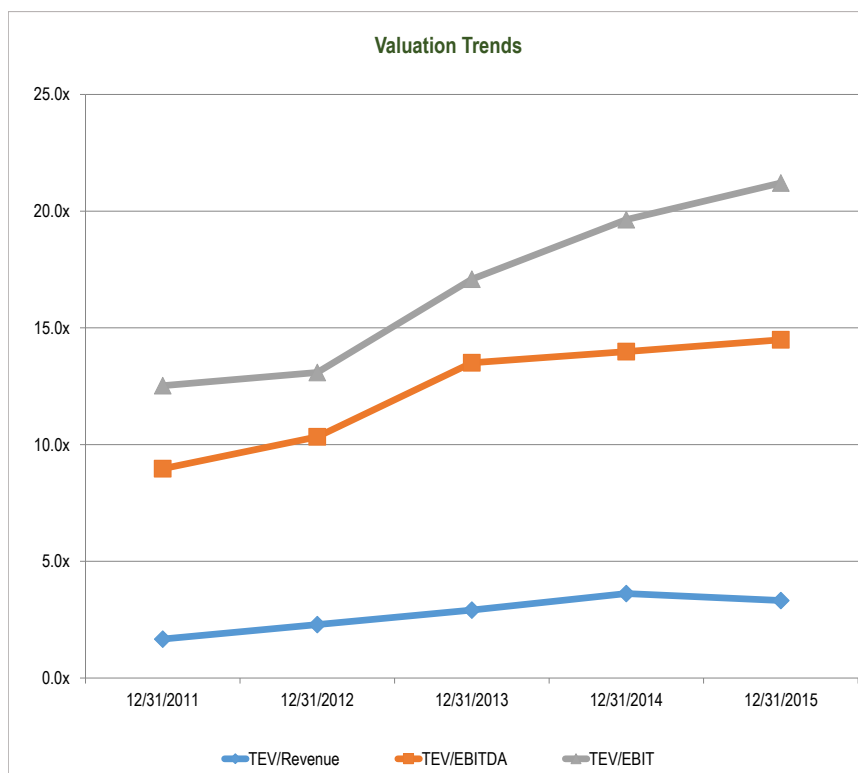
Equipment & Supplies - Manufacturing & Distribution

4th Quarter 2015

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

Total Enterprise Enterprise					Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,177	6.4x	17.2x	26.9x	TEV/Revenue	↓
Median	\$286	3.3x	14.5x	21.2x	TEV/EBITDA	↓
					TEV/EBIT	↑

Margins				Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	47.6%	-19.9%	-24.4%	Gross Margin	↑
Median	55.1%	2.7%	1.8%	EBITDA Margin	↓
				EBIT Margin	↓



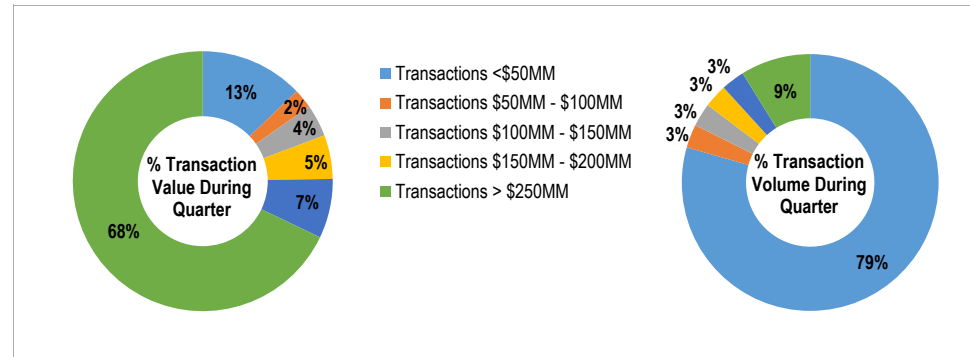
Source: S&P Capital IQ as of 1/25/2016 and PCE Proprietary Data

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

Transaction Volume	84
Number of Transactions with Disclosed Values	34
Transaction Value*	\$3,247.71
Average Transaction Value*	\$101.79
Median Transaction Value*	\$101.79

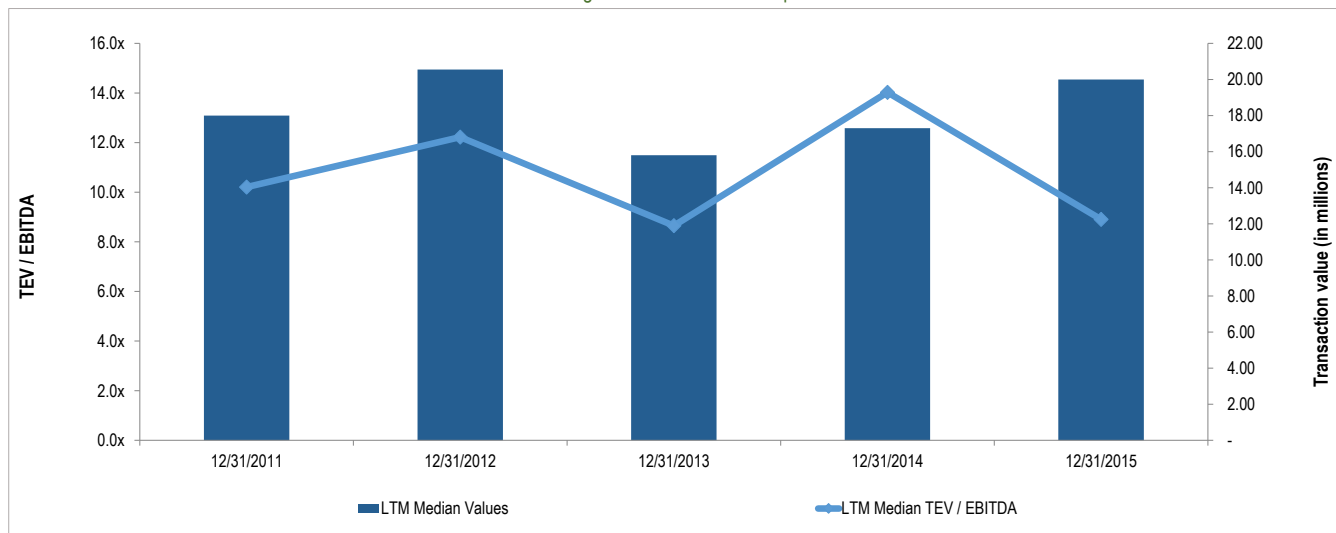
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Transaction by Value & Volume



Private Sector Value and EBITDA Multiple Trends

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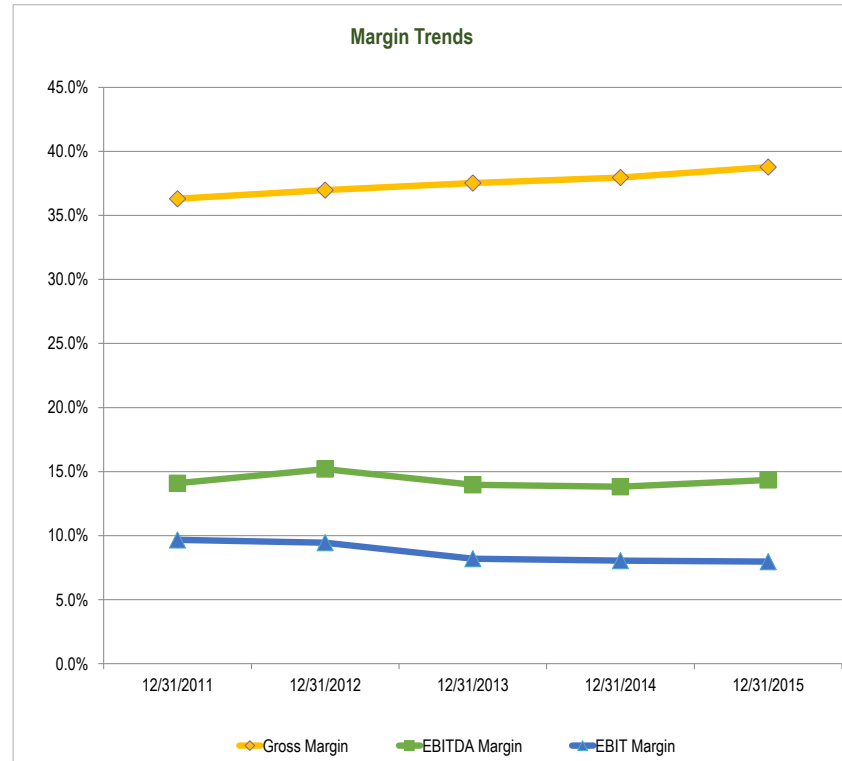
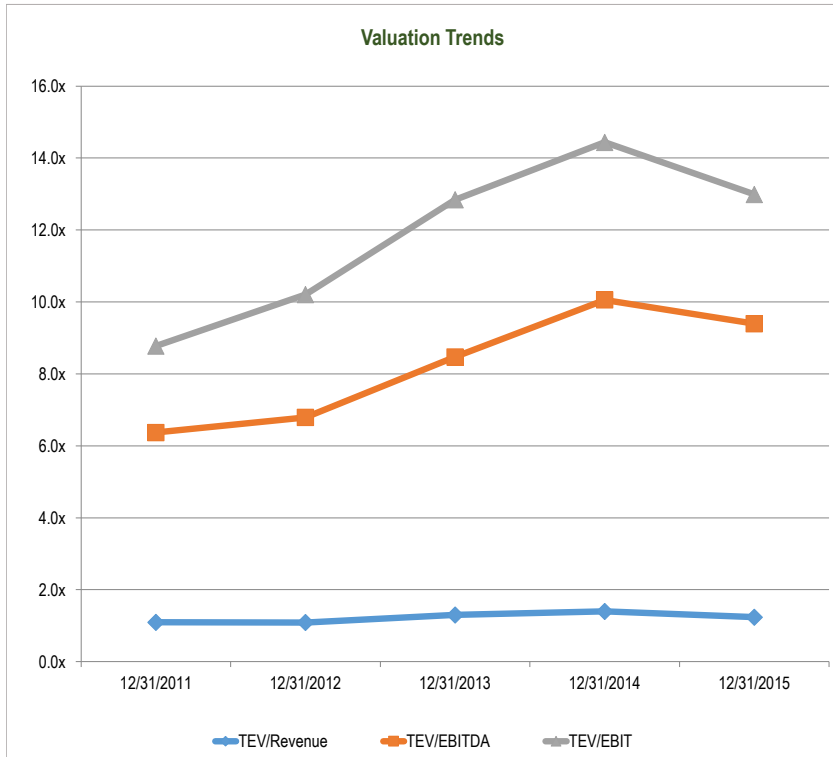
Facilities

4th Quarter 2015

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	12/31/2015 Trends	
Average	\$2,807	1.8x	10.5x	16.6x	TEV/Revenue	↓
Median	\$910	1.2x	9.4x	13.0x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	12/31/2015 Trends	
Average	36.5%	12.4%	7.4%	Gross Margin	↑
Median	38.8%	14.3%	8.0%	EBITDA Margin	↑
				EBIT Margin	↓



Source: S&P Capital IQ as of 1/25/2016 and PCE Proprietary Data

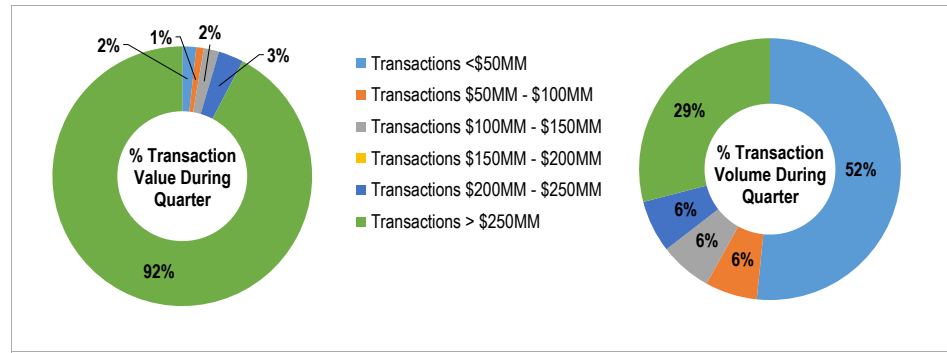


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	52
Number of Transactions with Disclosed Values	31
Transaction Value*	\$14,061.62
Average Transaction Value*	\$468.31
Median Transaction Value*	\$44.95

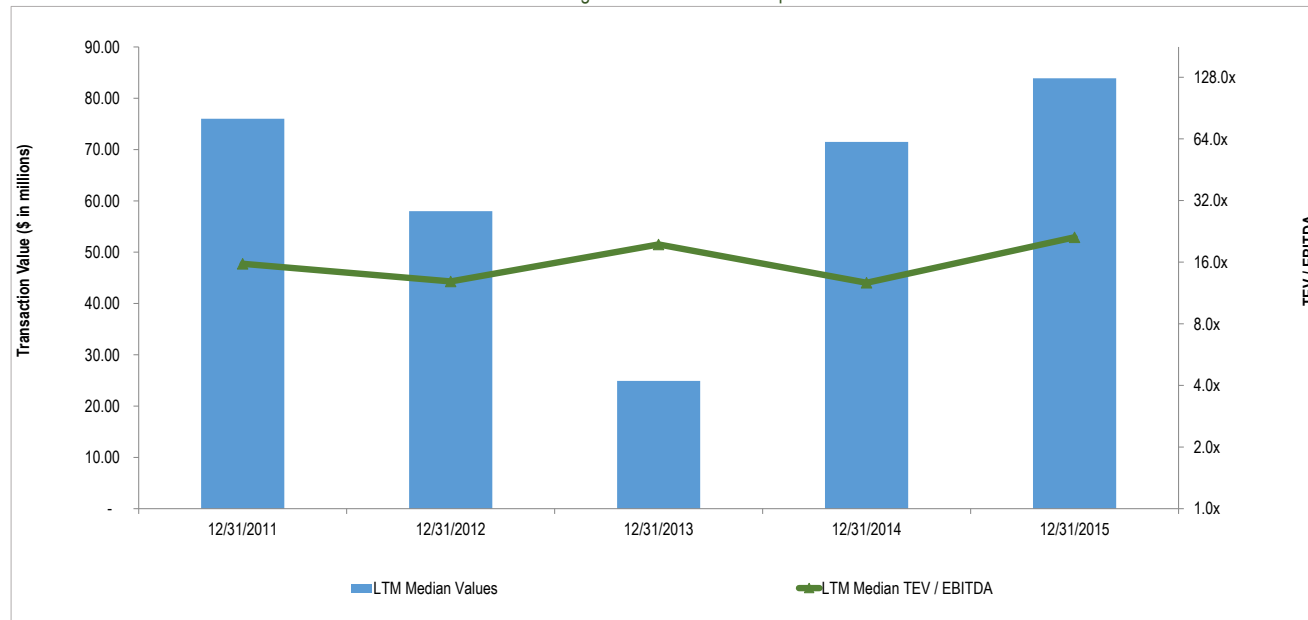
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

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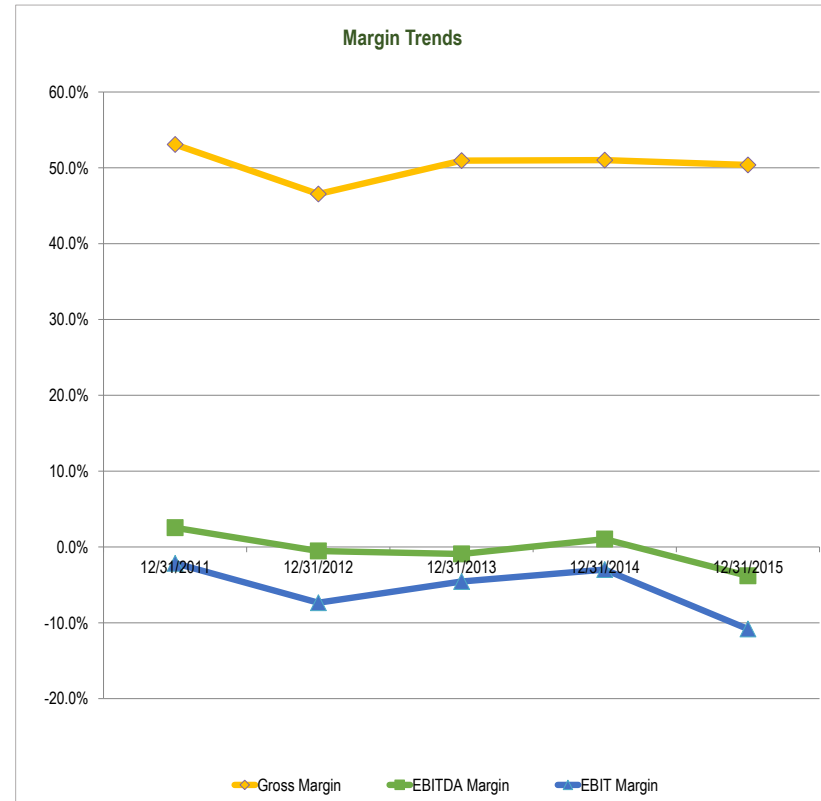
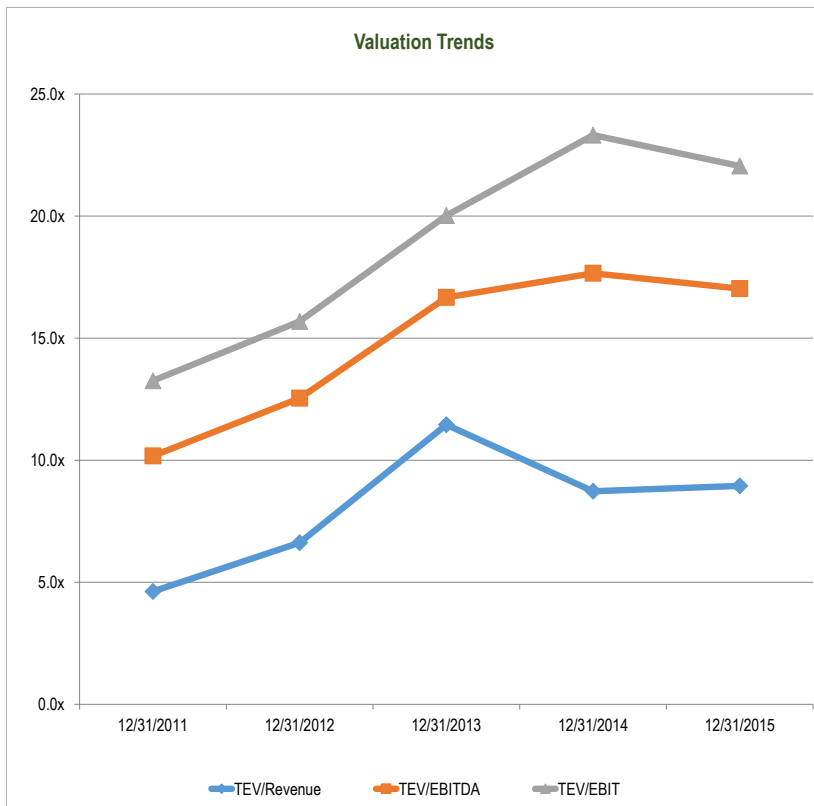


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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,569	31.3x	27.2x	36.0x	TEV/Revenue	↓
Median	\$265	8.9x	17.0x	22.1x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	23.8%	-36.4%	-41.6%	Gross Margin	↑
Median	50.4%	-3.8%	-10.8%	EBITDA Margin	↓
				EBIT Margin	↓



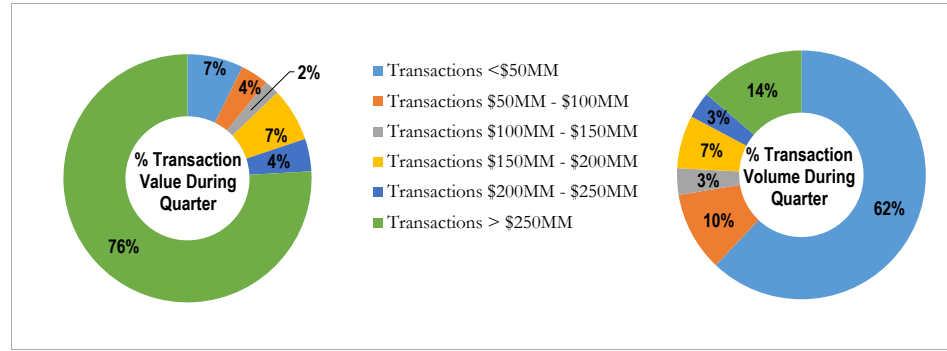
Source: S&P Capital IQ as of 1/25/2016 and PCE Proprietary Data

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

Transaction Volume	143
Number of Transactions with Disclosed Values	29
Transaction Value*	\$5,315.20
Average Transaction Value*	\$183.28
Median Transaction Value*	\$41.00

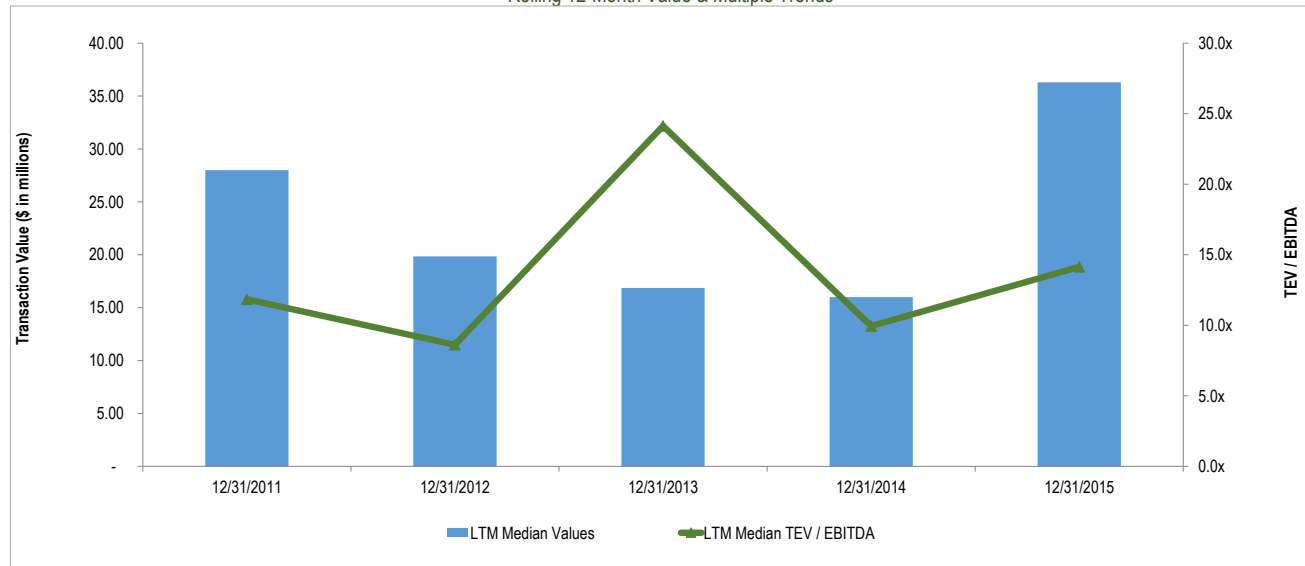
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

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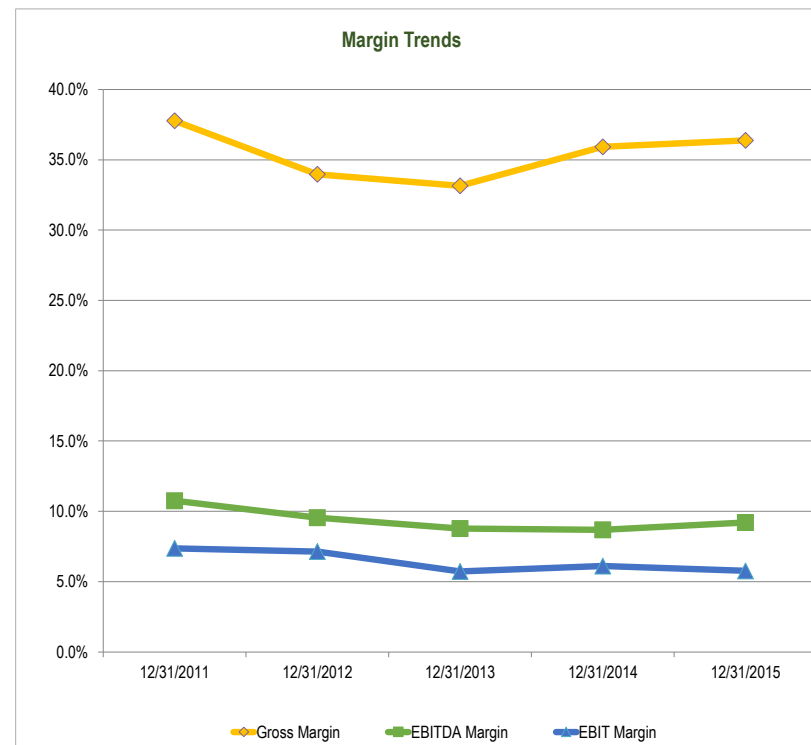
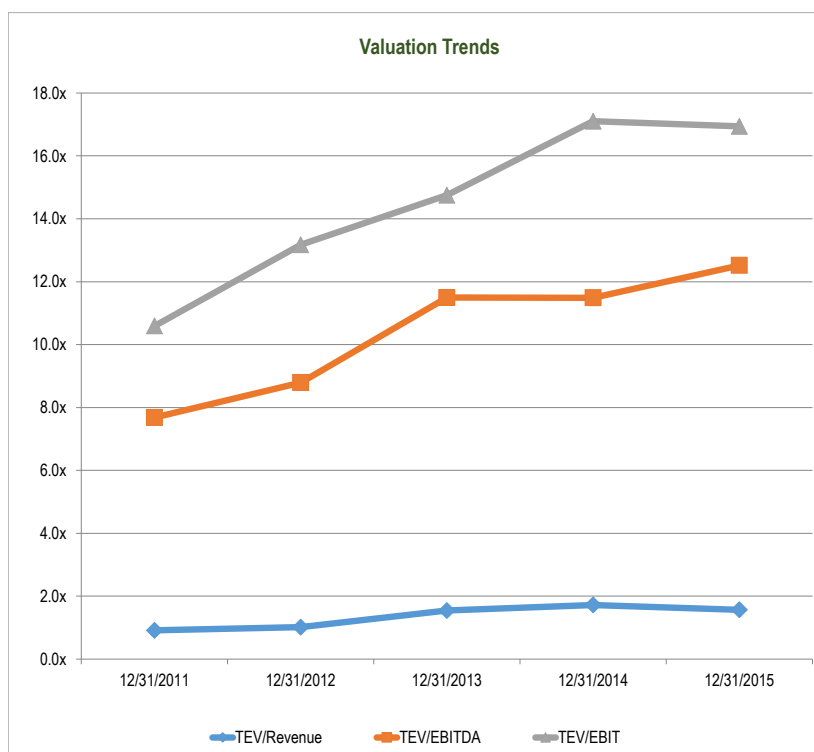


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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,417	2.3x	17.7x	26.4x	TEV/Revenue	↓
					TEV/EBITDA	↑
Median	\$776	1.6x	12.5x	16.9x	TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	39.6%	4.1%	-1.1%	Gross Margin	↑
				EBITDA Margin	↑
Median	36.4%	9.2%	5.8%	EBIT Margin	↓



Source: S&P Capital IQ as of 1/25/2016 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.

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- 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/dounded dates only.

Glossary

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