



PCE Industry Report

Healthcare



Middle Market M&A Summary

Healthcare

3rd Quarter 2015

Key Highlights

- The average value of the top ten transactions was \$6,920 mm
 - The largest transaction was the acquisition of Hospira, Inc. by Pfizer, Inc. for \$17,125 mm.
 - The smallest transaction was the acquisition of Capella Healthcare, Inc. by MPT Operating Partnership, L.P. for \$1,524 mm.
- The public company industry median TEV/EBIT multiple is 17.9x.
- The public company industry median TEV/EBITDA multiple is 13x.

Key Trends

- The Pharmaceuticals, Biotechnology & Life Sciences subsector's transaction volume is trending positively. The Services & E-Health Technology and Facilities subsectors are also trending positively, while the Equipment & Supplies - Manufacturing & Distribution subsector is trending negatively.
- The Services & E-Health Technology subsector's transaction volume was the largest at 45% of the industry over the past quarter.
- With the threat of a rate hike in the next several months, the Healthcare industry has been pushing through as much M&A as possible.
- Deal flow in pharmaceuticals is relatively unaffected by global markets since the industry is in a constant state of bolstering their patent portfolios and staying ahead of future pipeline opportunities.¹

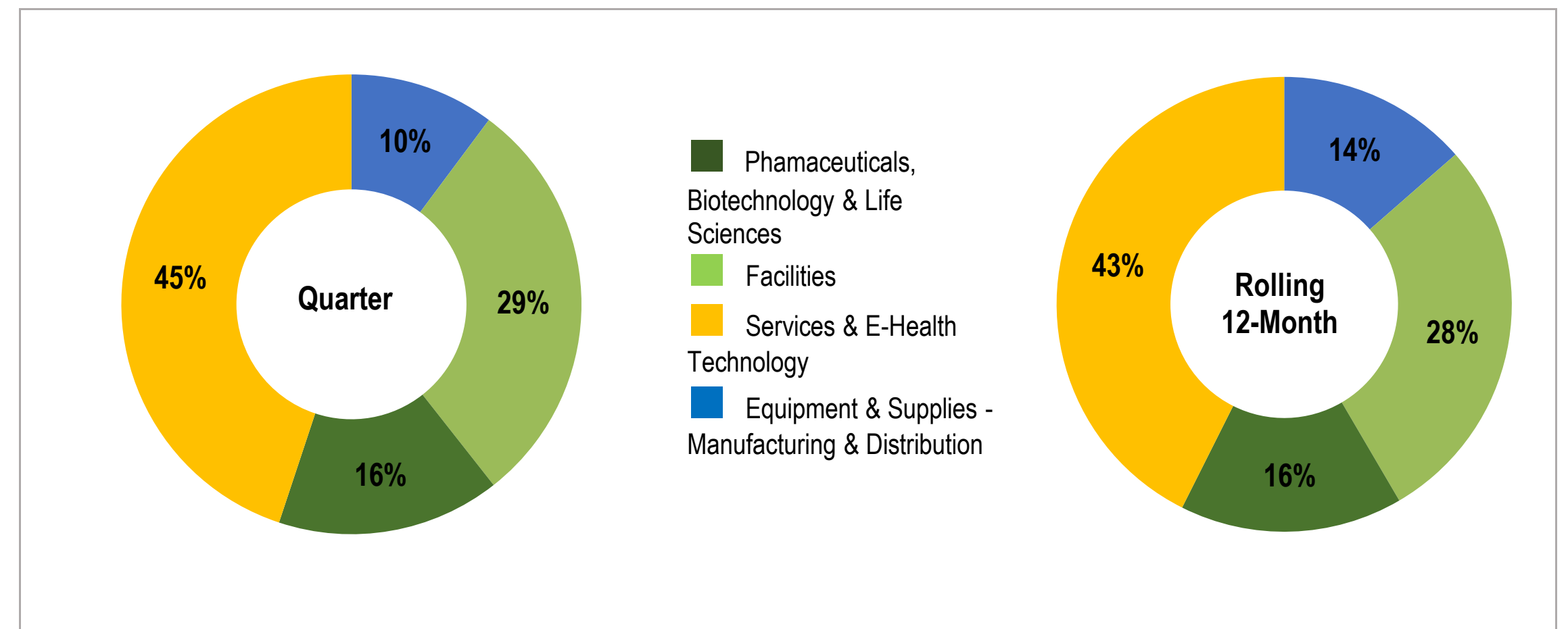
Source: ¹ *Healthcare M&A Resilient Despite Economic Woes* (2015, October), The Street Retrieved: October 15th, 2015. Link: <http://www.thestreet.com/story/13320932/1/healthcare-m-a-resilient-despite-economic-woes.html>

Industry Trends During Quarter

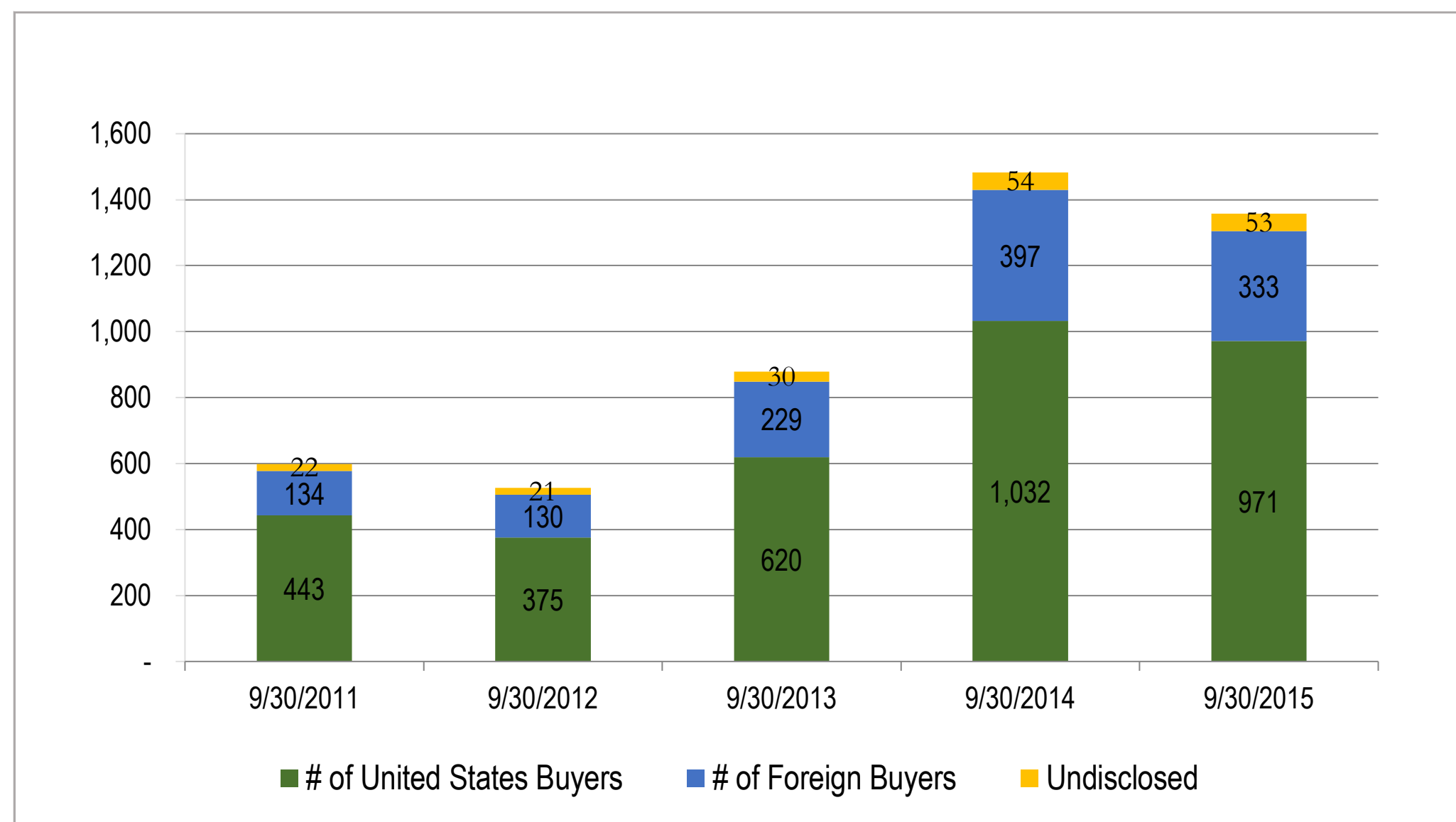
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Equipment & Supplies - Manufacturing & Distribution	↓	↑	↑
Facilities	↑	↑	↑
Pharmaceuticals, Biotechnology & Life Sciences	↑	↓	↑
Services & E-Health Technology	↑	↓	↑

* 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
Pharma, Biotech & Life Sciences	Hospira Inc.	Pfizer Inc.	\$17,125.5
Services & E-Health	Catamaran Corporation	OptumRx, Inc.	\$14,227.2
Services & E-Health	Omnicare Inc.	CVS Pharmacy, Inc.	\$11,631.4
Pharma, Biotech & Life Sciences	Par Pharmaceutical Holdings, Inc.	Endo International plc	\$10,389.1
Pharma, Biotech & Life Sciences	Receptos, Inc.	Celgene Corporation	\$7,320.8
Equip & Supplies - Manu Dist	Welch Allyn, Inc.	Hill-Rom Holdings, Inc.	\$2,051.0
Facilities	AHS Medical Holdings LLC	Ventas, Inc.	\$1,750.0
Equip & Supplies - Manu Dist	American Medical Systems Holdings Inc., Men's Health and Prostate	Boston Scientific Corporation	\$1,650.0
Services & E-Health	Bio-Reference Laboratories Inc.	Opko Health, Inc.	\$1,541.1
Facilities	Capella Healthcare, Inc.	MPT Operating Partnership, L.P.	\$1,524.2

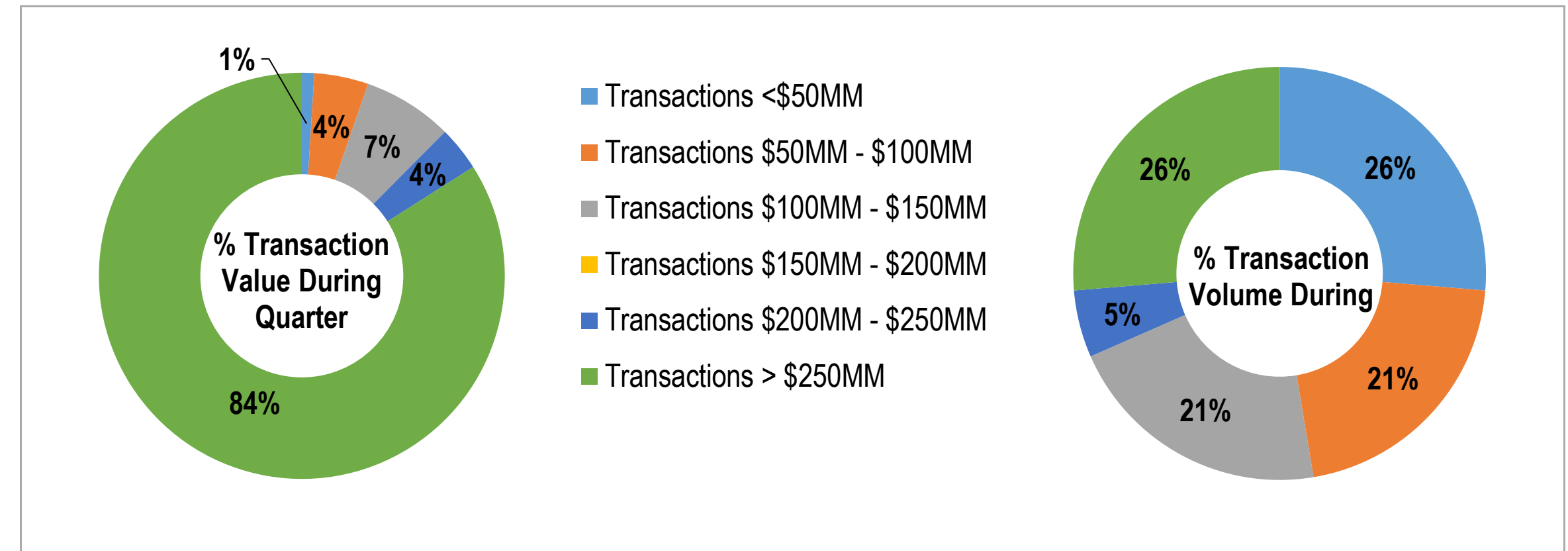
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	37
Number of Transactions with Disclosed Values	19
Transaction Value*	\$7,061.01
Average Transaction Value*	\$392.05
Median Transaction Value*	\$113.00

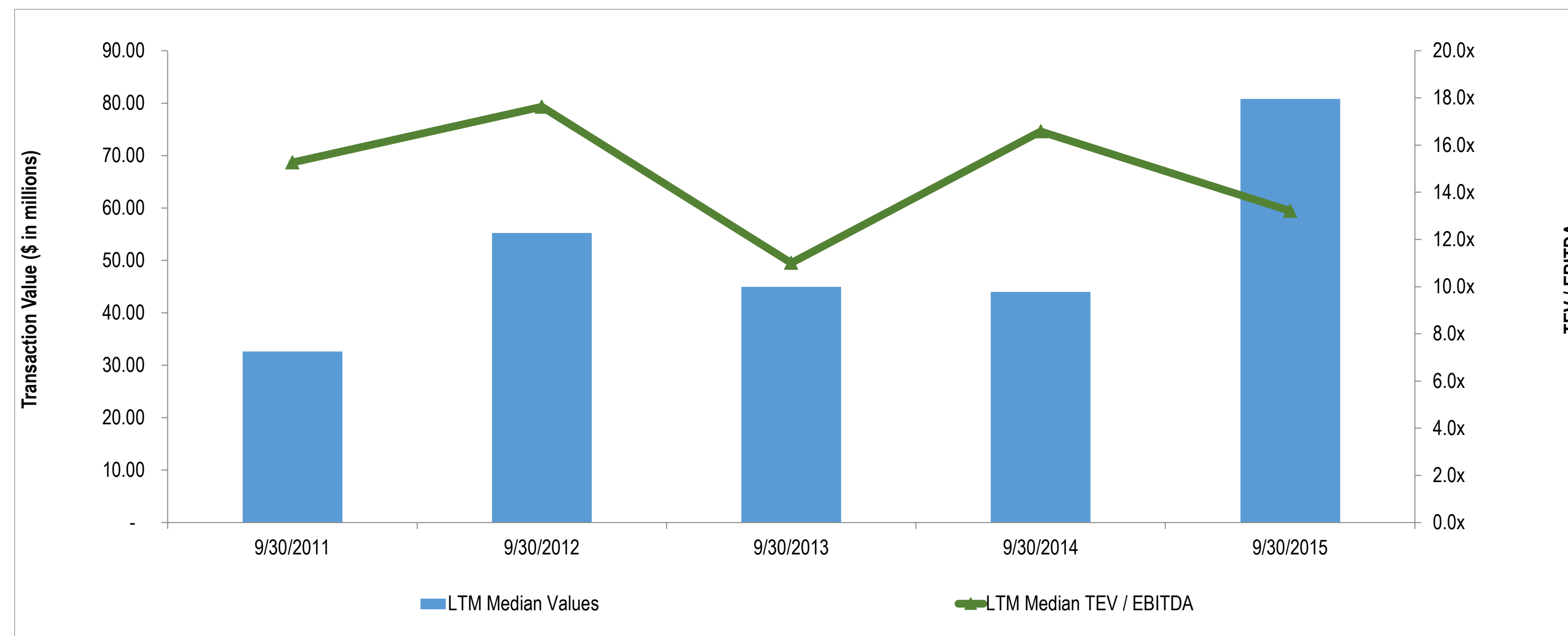
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Transaction by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

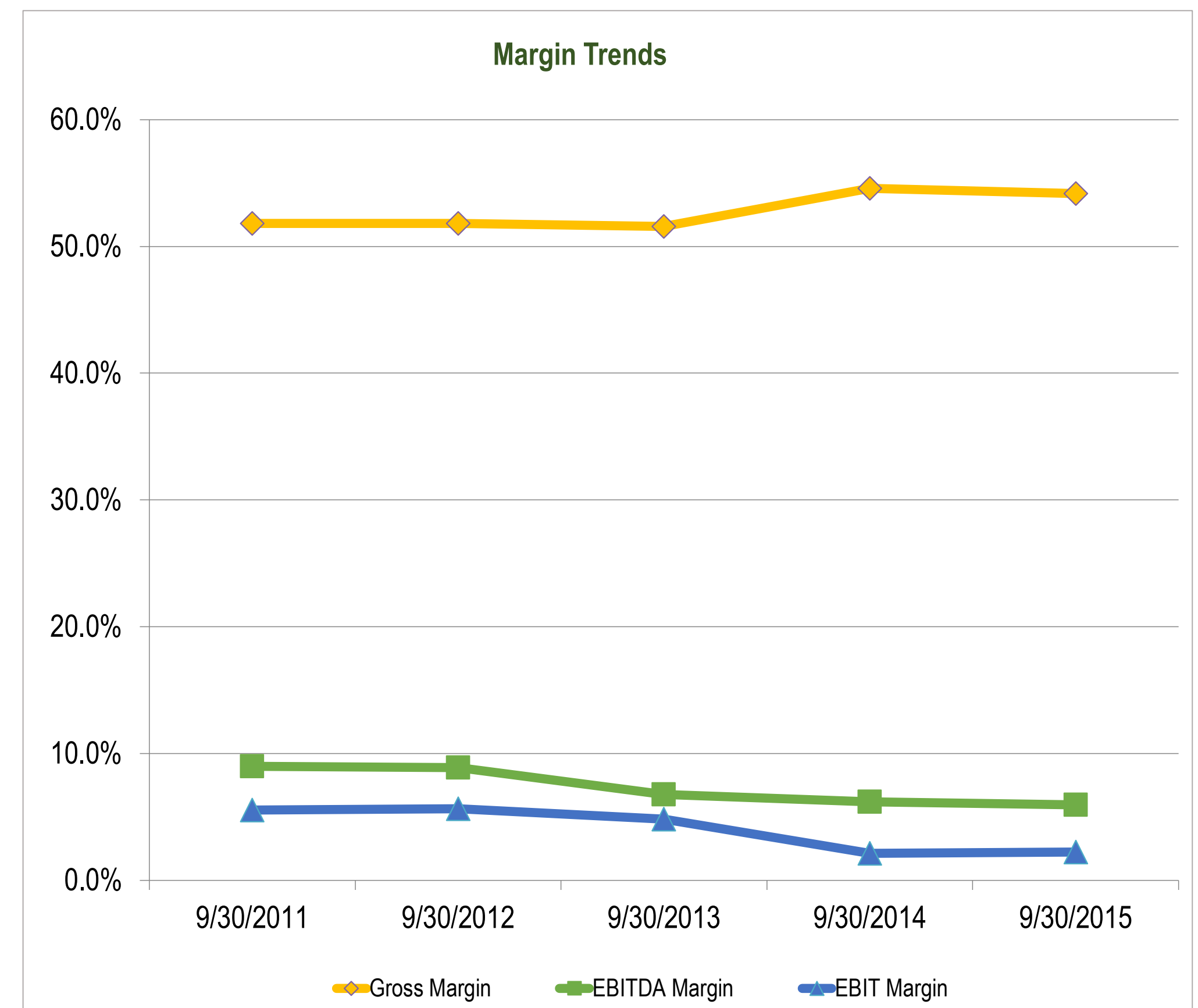
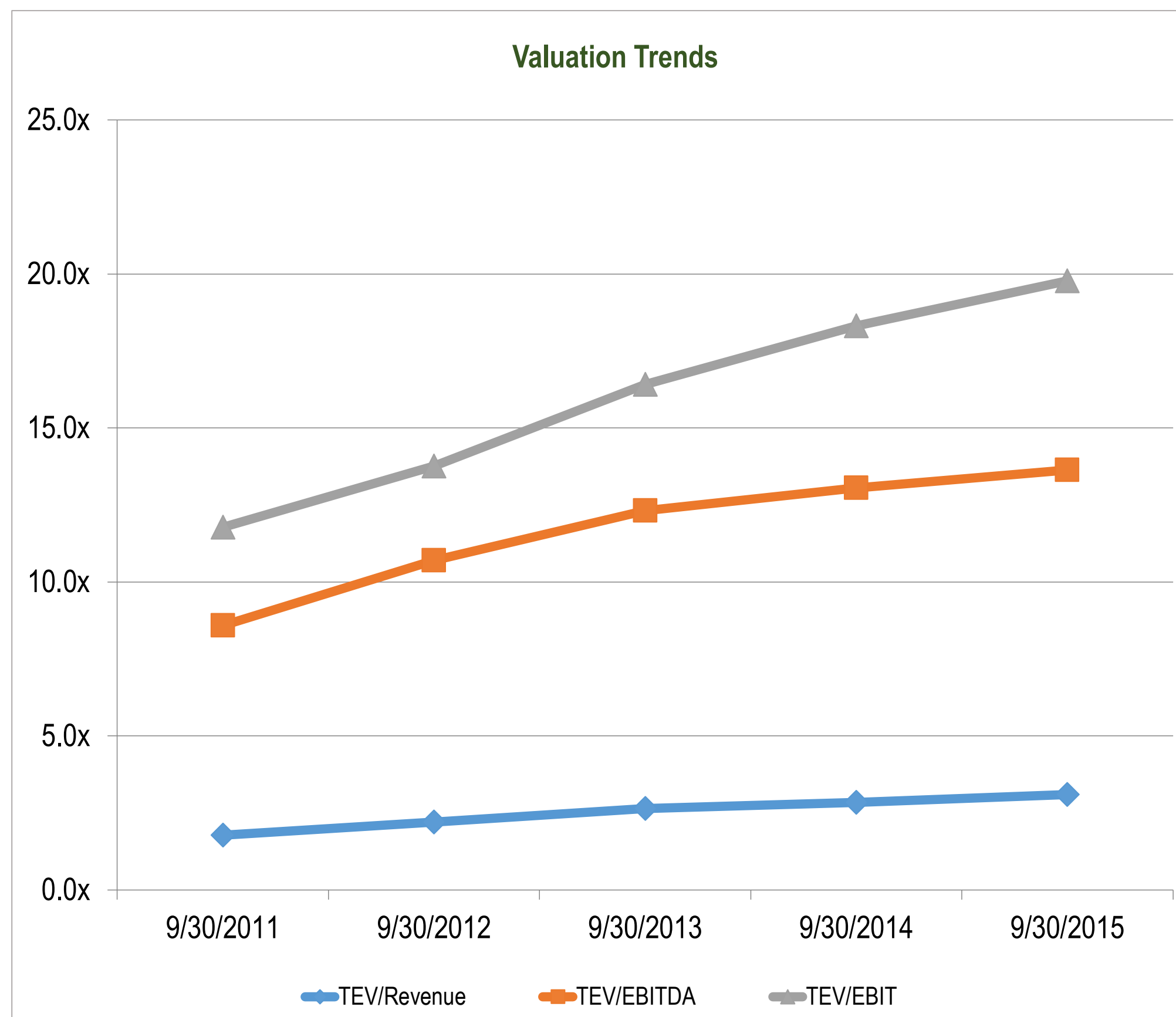


* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

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

	Total Enterprise Enterprise				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	9/30/2015 Trends	
Average	\$3,190	6.5x	16.0x	28.5x	TEV/Revenue	↑
Median	\$331	3.1x	13.6x	19.8x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	9/30/2015 Trends	
Average	48.2%	-17.8%	-22.1%	Gross Margin	↓
Median	54.2%	6.0%	2.2%	EBITDA Margin	↓
				EBIT Margin	↑



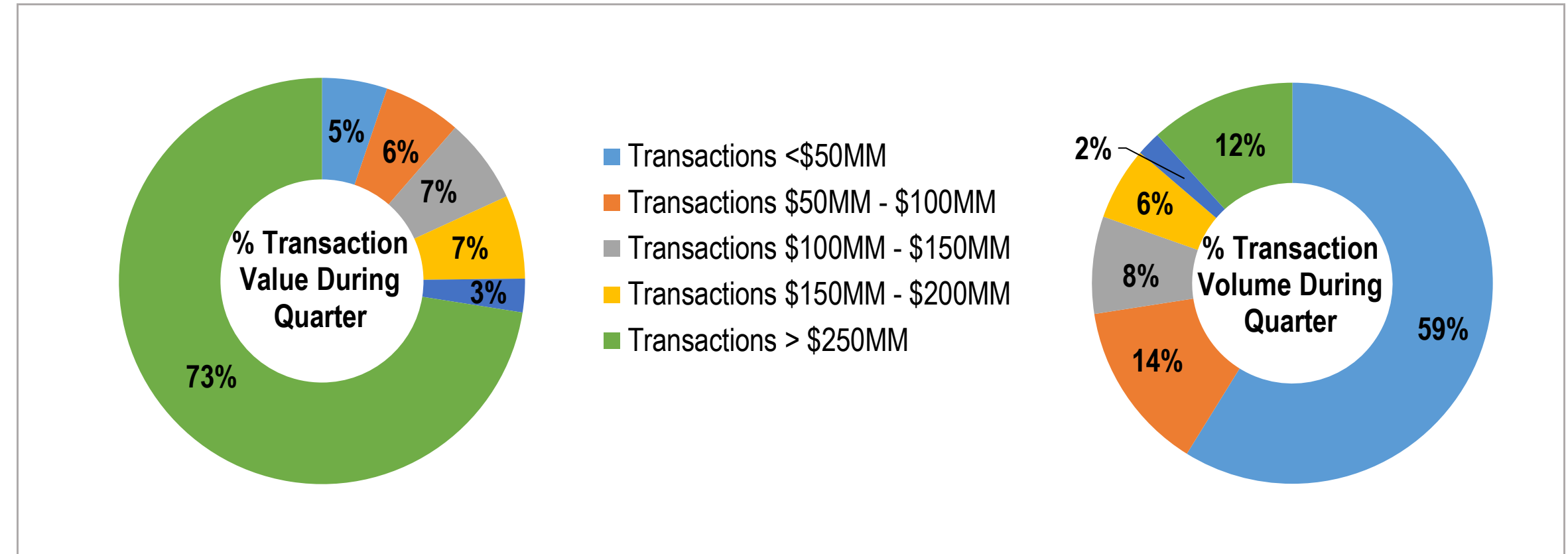
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	106
Number of Transactions with Disclosed Values	51
Transaction Value*	\$8,423.48
Average Transaction Value*	\$159.46
Median Transaction Value*	\$159.46

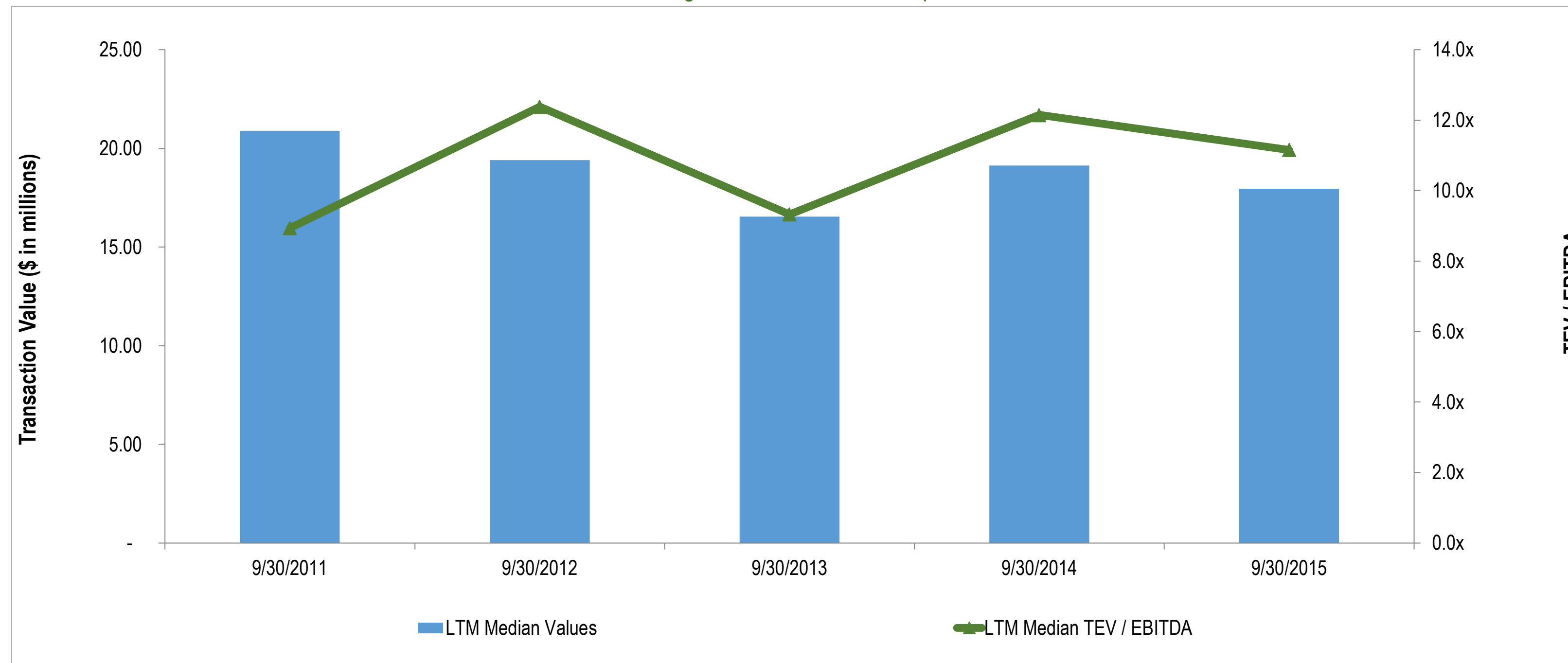
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Transaction by Value & Volume



Private Sector Value and EBITDA Multiple Trends

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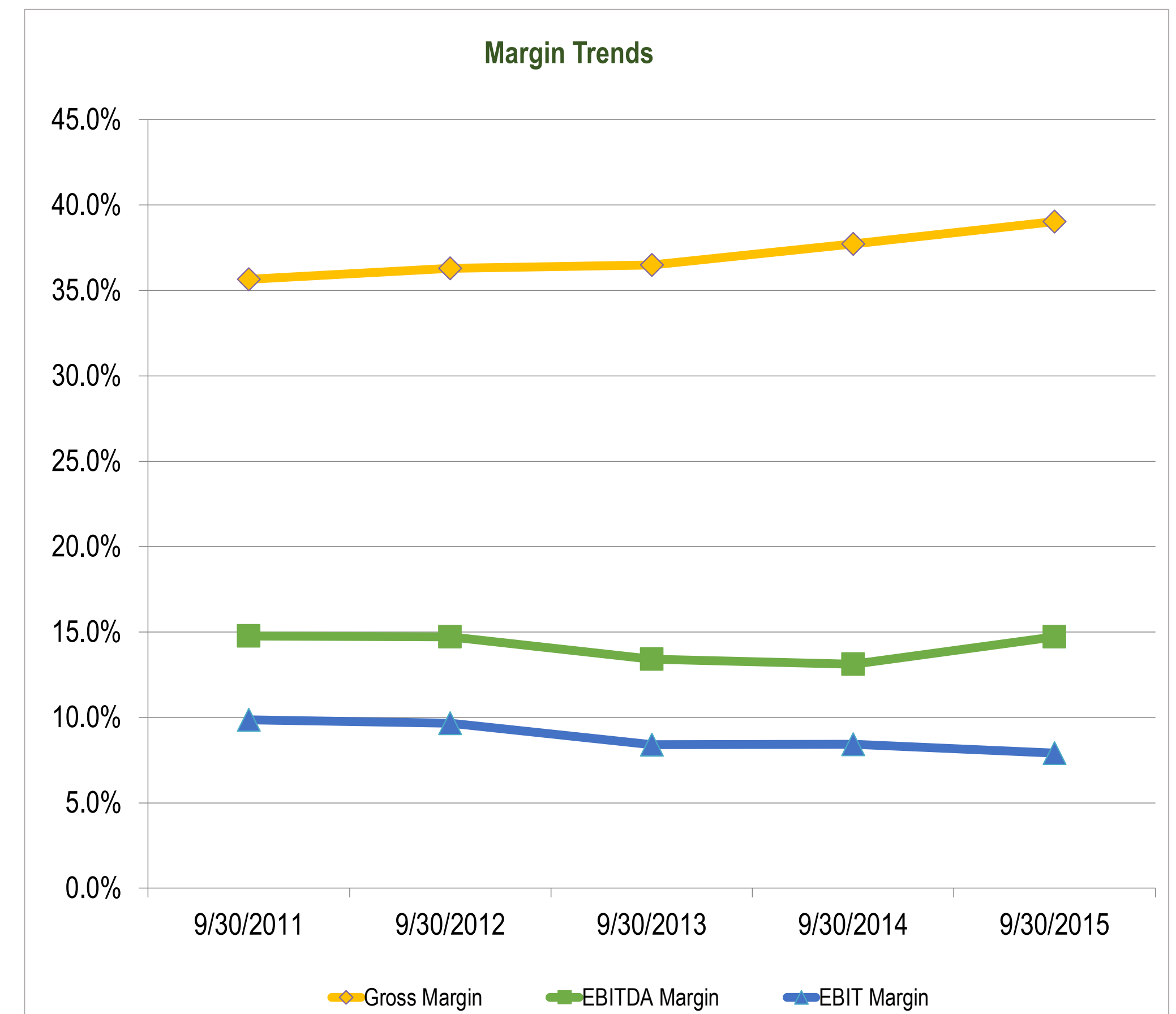
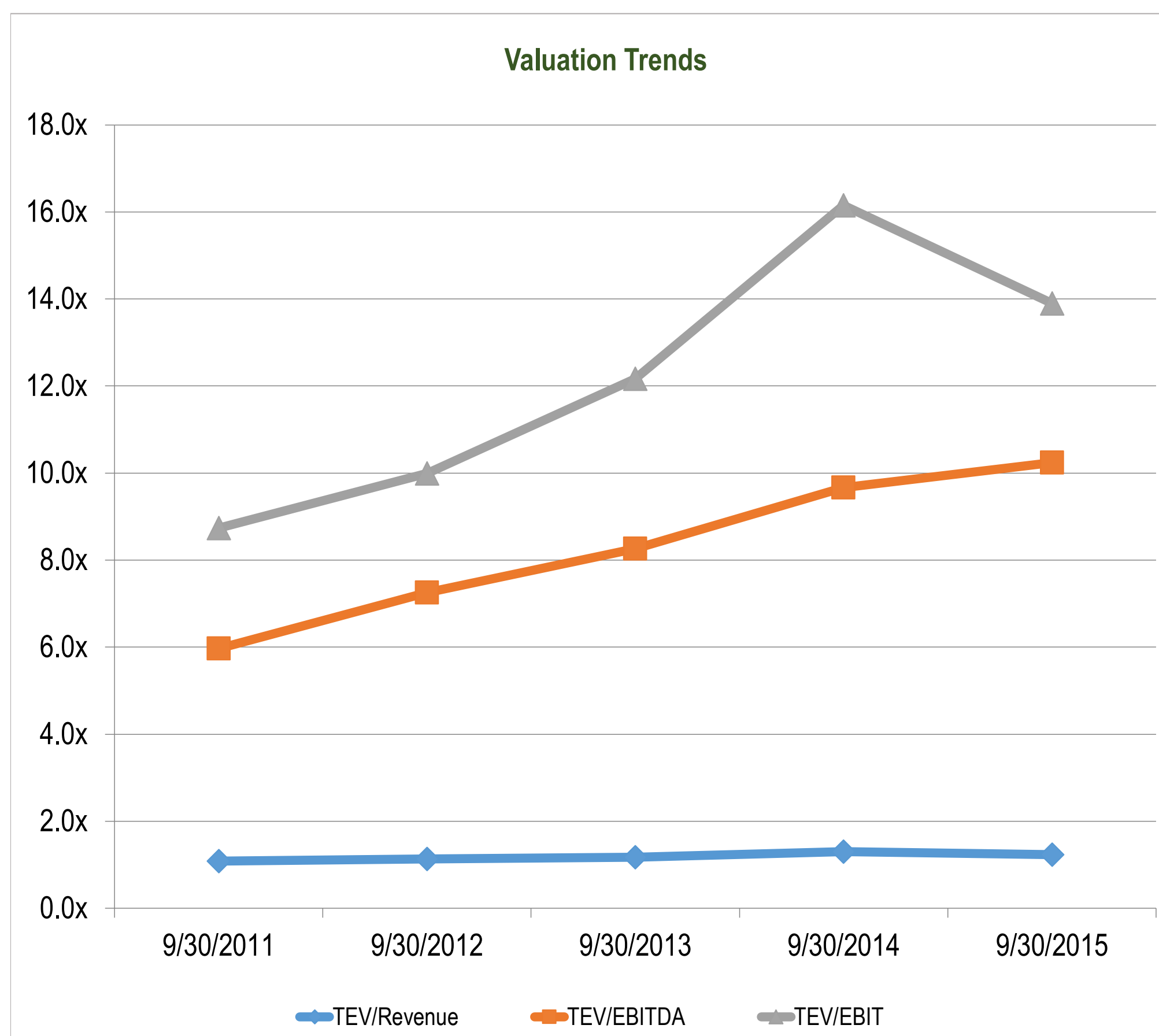


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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	9/30/2015 Trends	
Average	\$3,399	1.8x	10.9x	18.4x	TEV/Revenue	↓
Median	\$1,104	1.2x	10.2x	13.9x	TEV/EBITDA	↑
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	9/30/2015 Trends	
Average	36.4%	12.5%	7.6%	Gross Margin	↑
Median	39.0%	14.7%	7.9%	EBITDA Margin	↑
				EBIT Margin	↓



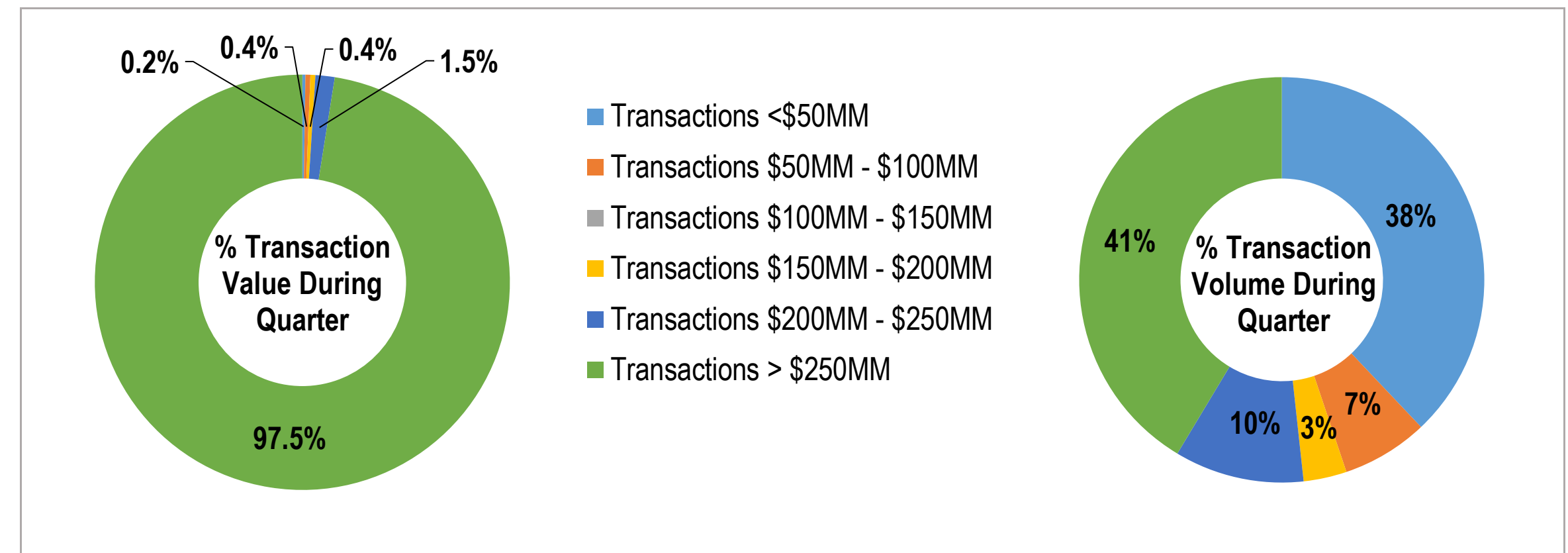
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	57
Number of Transactions with Disclosed Values	29
Transaction Value*	\$44,636.39
Average Transaction Value*	\$1,563.10
Median Transaction Value*	\$192.00

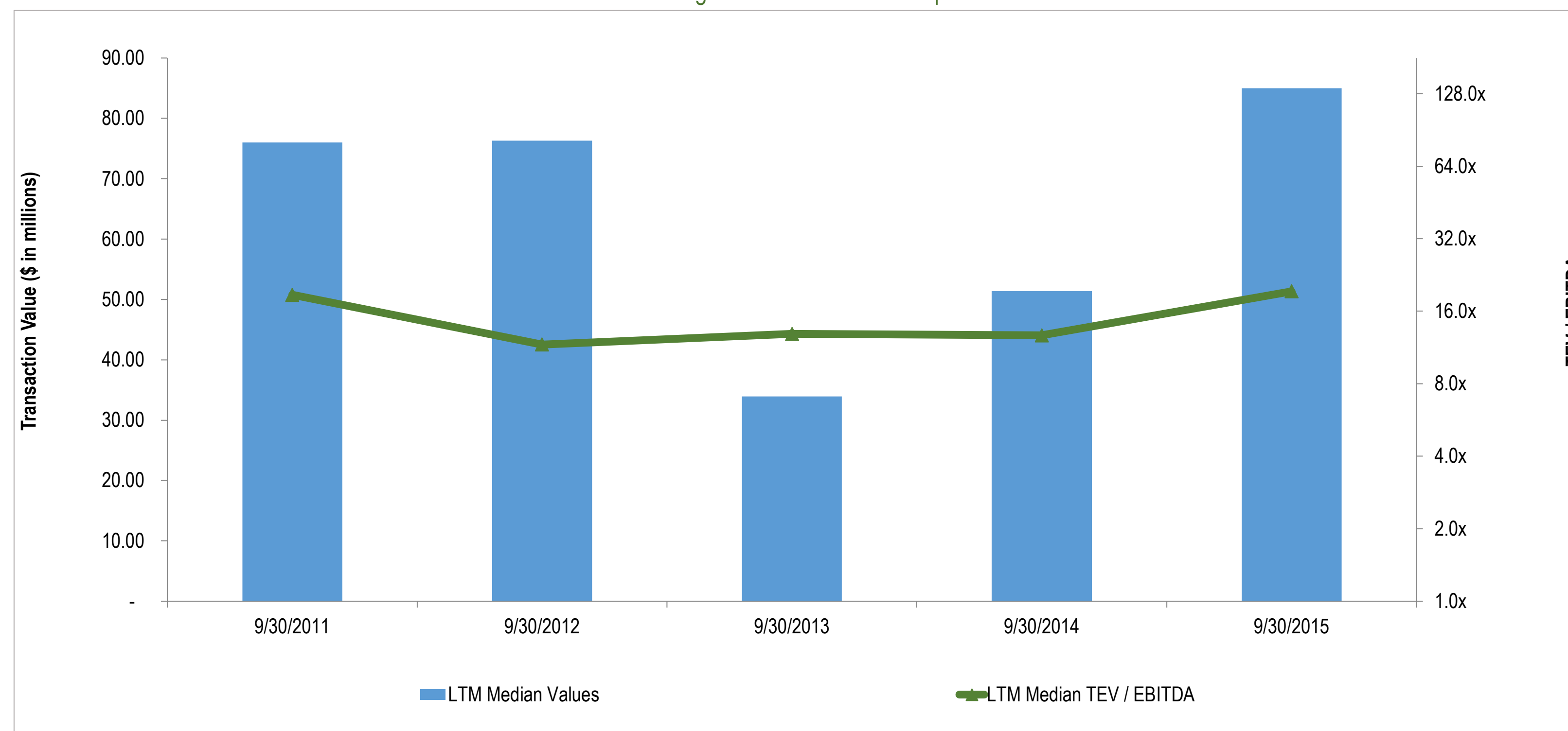
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Transactions by Value & Volume



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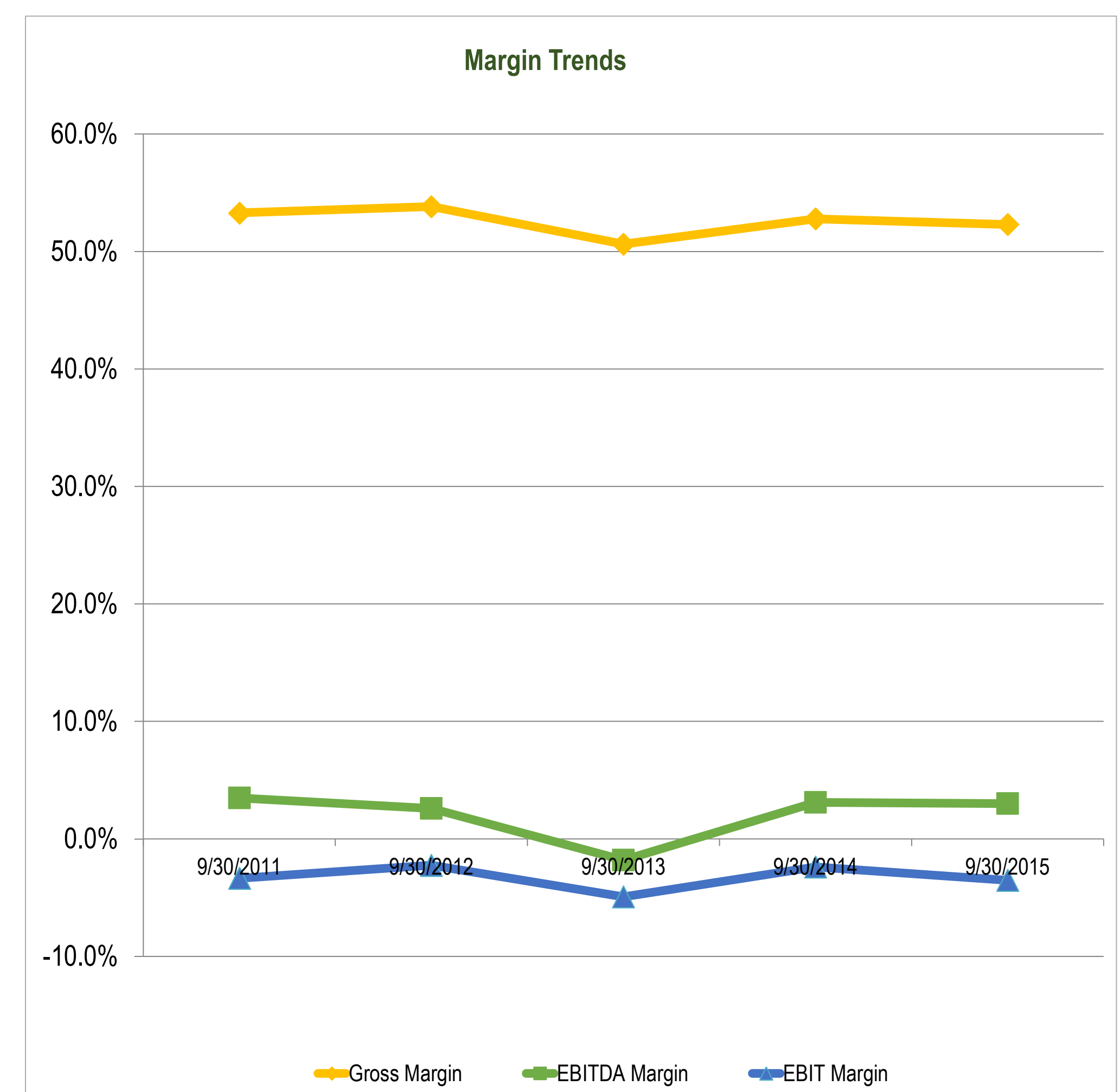
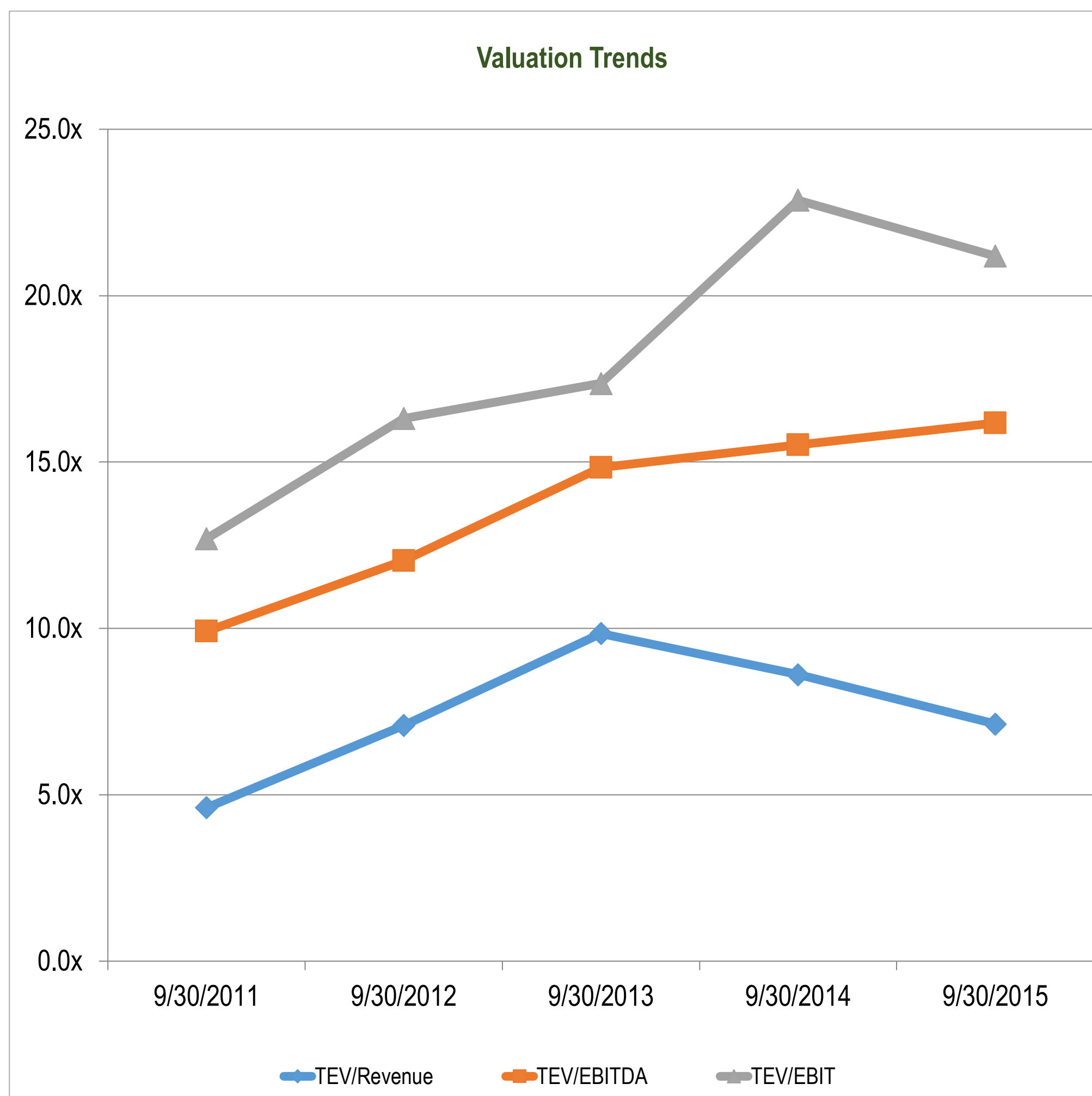
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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	9/30/2015 Trends	
Average	\$4,883	31.9x	27.0x	31.1x	TEV/Revenue	↓
Median	\$317	7.1x	16.2x	21.2x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	9/30/2015 Trends	
Average	26.0%	-33.9%	-37.4%	Gross Margin	↑
Median	52.3%	3.0%	-3.5%	EBITDA Margin	↓
				EBIT Margin	↓



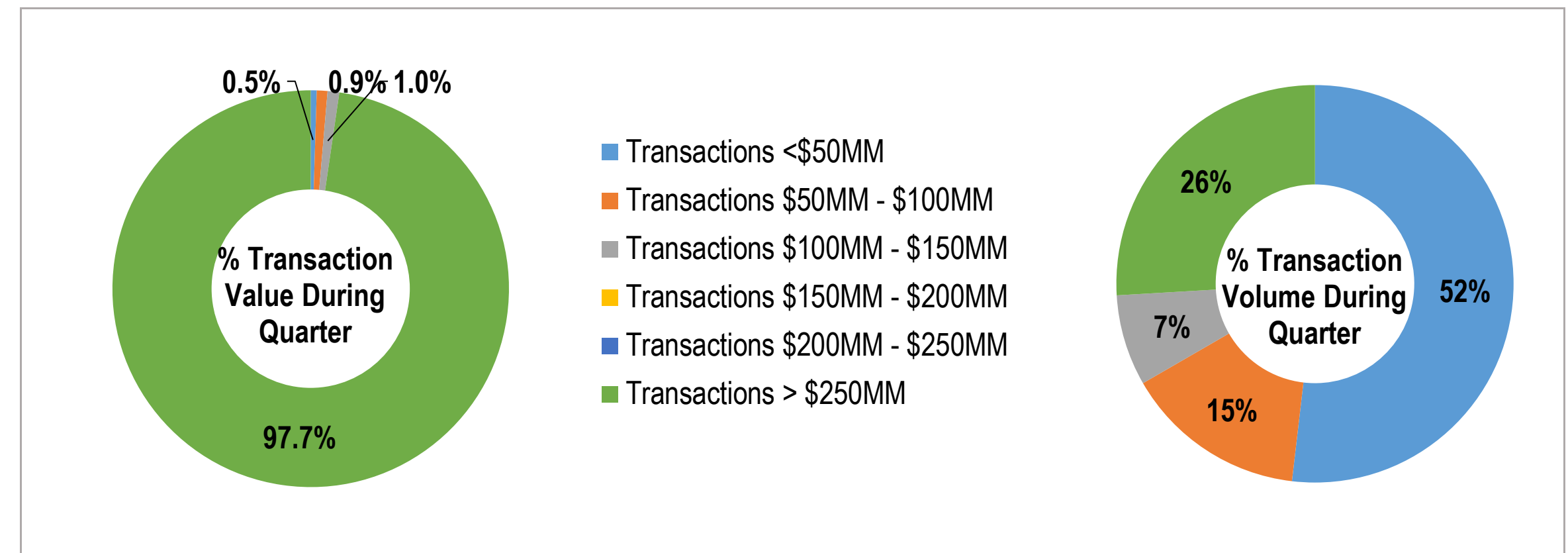
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	163
Number of Transactions with Disclosed Values	27
Transaction Value*	\$30,403.27
Average Transaction Value*	\$1,170.73
Median Transaction Value*	\$50.25

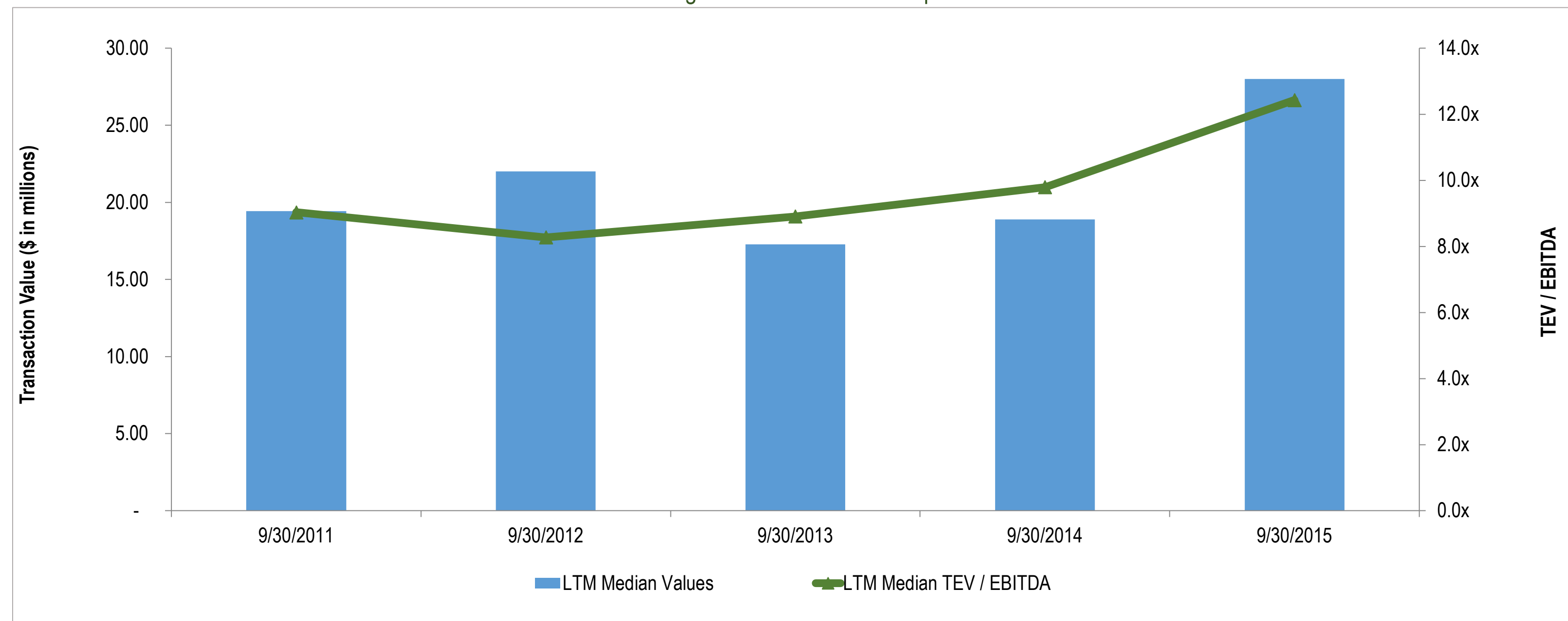
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Transactions by Value & Volume



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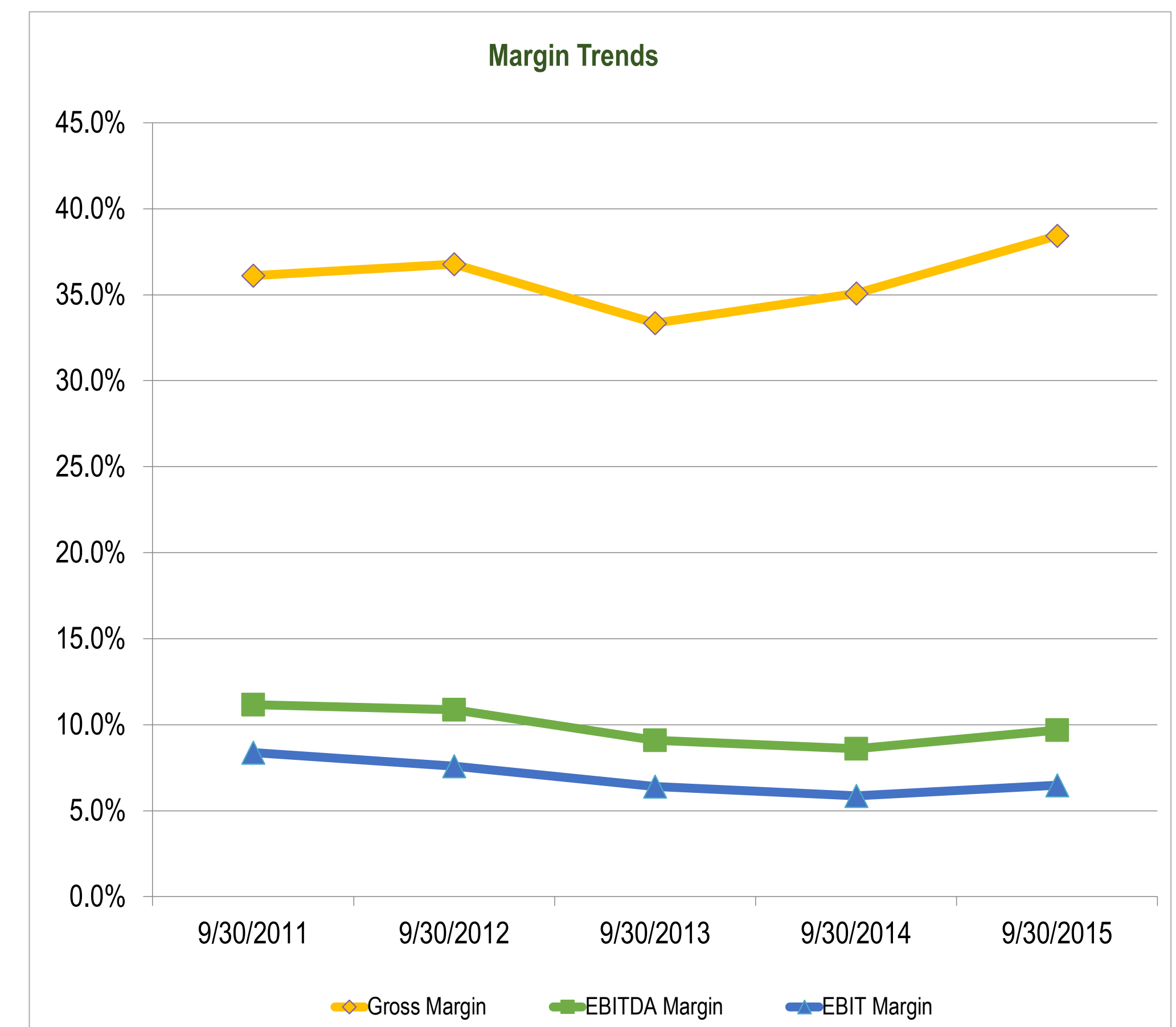
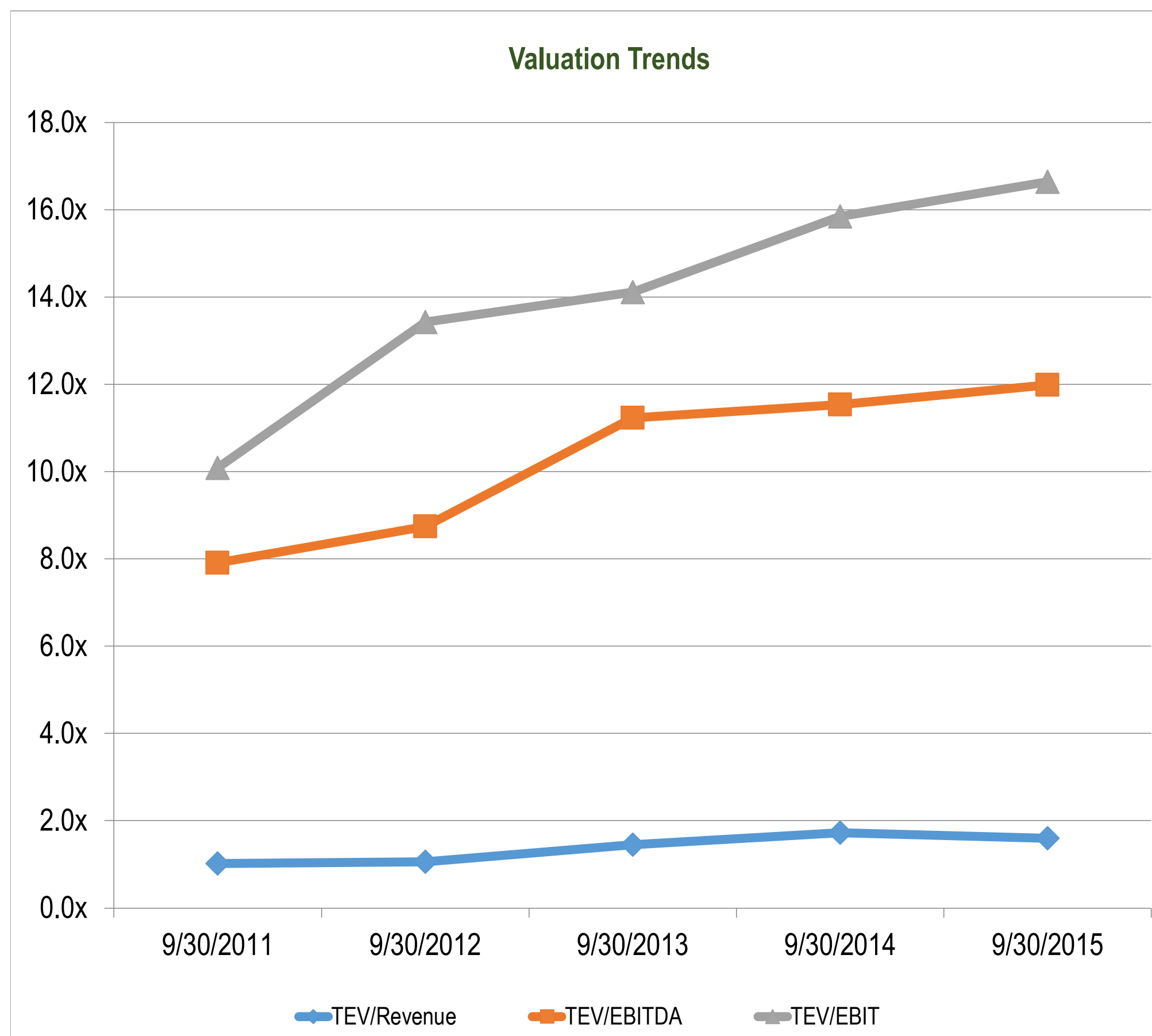
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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	9/30/2015 Trends	
Average	\$5,565	2.6x	17.5x	23.3x	TEV/Revenue	↓
Median	\$699	1.6x	12.0x	16.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	9/30/2015 Trends	
Average	39.8%	5.0%	0.0%	Gross Margin	↑
Median	38.4%	9.7%	6.5%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 11/4/2015 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/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