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Healthcare Services Industry Update – Q1 2017

Boston | Dallas | San Francisco

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MHT Partners is a leading advisor to companies in the Healthcare Services Industry. Our Healthcare Services team boasts significant experience in a variety of sectors covering a broad range of specializations and business models.

This update focuses on the trends and metrics in the following areas:

- Specialty Physician Groups
- Behavioral & Home Health
- Healthcare Technology
- Clinical Support & Services

Q1 2017

Industry Update

Economic Indicators

Equity Trading Overview

Select Company Trading Metrics

Select M&A Transactions

About MHT Partners

The Pulse

United's Optum Acquires Surgical Care from TPG Capital

On January 9th, Optum, Inc., a subsidiary of UnitedHealth Group Inc. (NYSE: UNH), announced that it had signed an agreement to acquire Surgical Care Affiliates, Inc. (NasdaqGS: SCAI) from TPG Capital and others for \$57 per share. The deal value equates to approximately 12.3x LTM EBITDA and closed on March 24th.

The transaction reflects United's continuing effort to adapt to changing modes of healthcare delivery. Incorporating an ambulatory surgery center behemoth demonstrates an eye toward the increasing leverage that independent physicians wield in the marketplace and the impact it has on major payors.

Throughout the first quarter of 2017, the future of the American healthcare system continued to dominate the conversation in Washington DC.

Emerging from last year's election cycle with vigor, the GOP rallied on multiple fronts to quickly deliver on campaign promises to enact sweeping policy changes. The Republican plan took shape in March as President Trump submitted an FY18 budget proposal to Congress,

which included significant cuts to HHS programs - including the National Institutes of Health. Shortly thereafter, House Speaker Paul Ryan introduced the American Health Care Act as the promised "repeal and replace"



of the Affordable Care Act. Ultimately, Republicans withdrew the proposal before it hit the house floor and have returned to the drawing board.

Though the defining impact of future proposals remains to be seen, as we enter Q2 2017 the likelihood of a full repeal of the ACA appears minimal. Patchwork improvements that preserve access for existing beneficiaries are more likely, and the lack of consensus on a package for specific improvements suggests that the principal tenets of the ACA will remain in place for the foreseeable future.

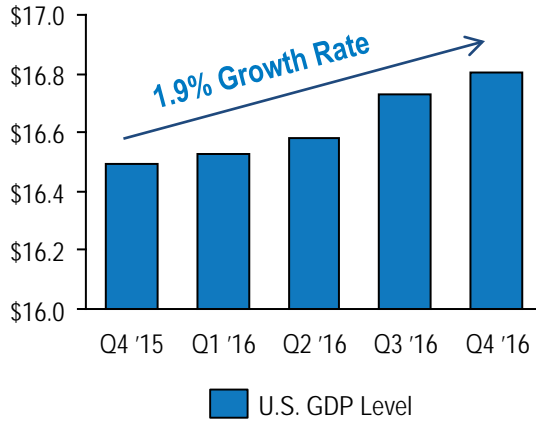
In spite of ambiguity surrounding potential changes to the US healthcare system, dealmaking activity remained robust in the first quarter. Healthcare services investors continue to express interest in companies that help improve patient service, reduce costs, and drive better patient outcomes. Importantly, favorable macro trends and high levels of investable capital suggest that strong M&A activity is likely to continue.

Economic Trends

Key economic indicators for the Healthcare Services industry.

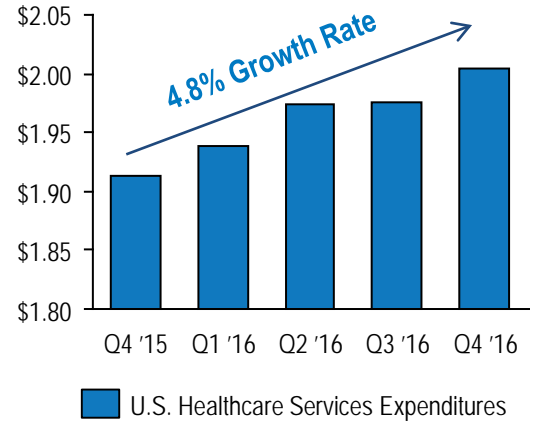
Real¹ U.S. GDP Growth

(\$ in Trillions, seasonally adjusted at annual rates)



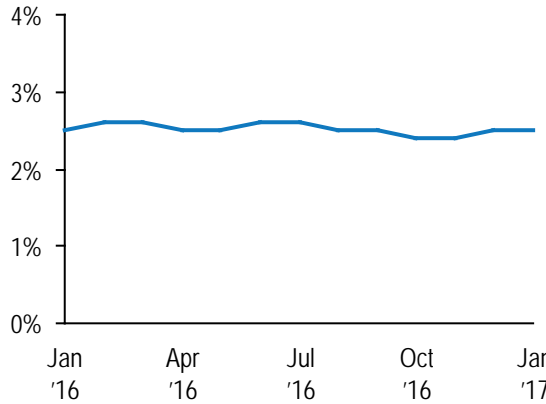
U.S. Healthcare Consumption

(Real¹ \$ in Trillions, seasonally adjusted at annual rates)



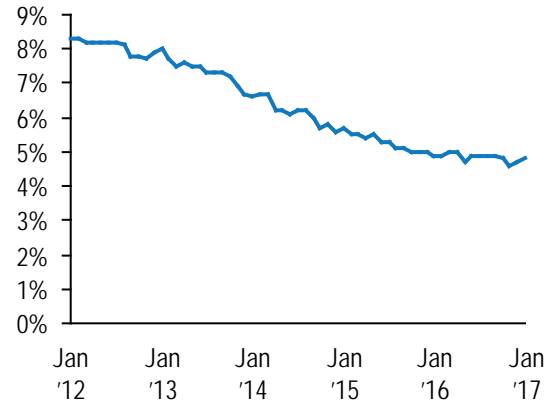
U.S. Healthcare Employment Growth

(Variance to prior year, seasonally adjusted)



U.S. Unemployment Rate

(Seasonally adjusted)



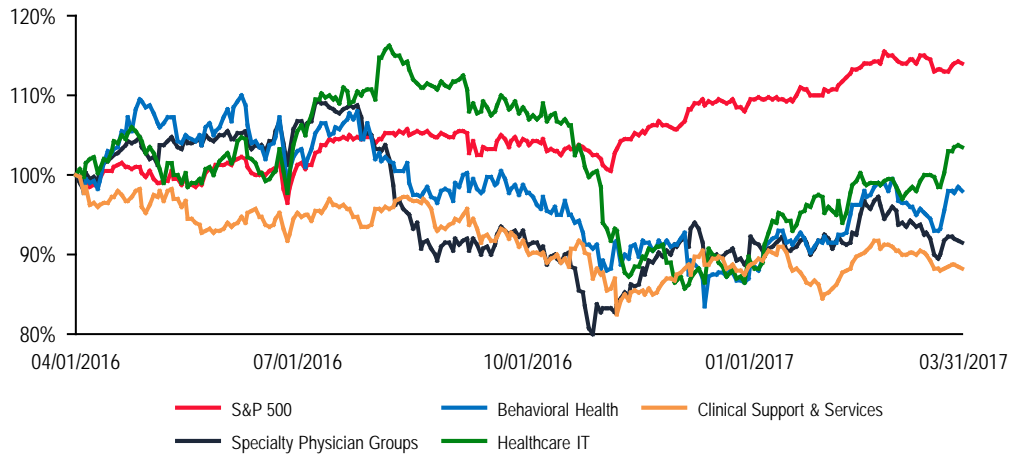
(1) 2009 dollars

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, Centers for Disease Control

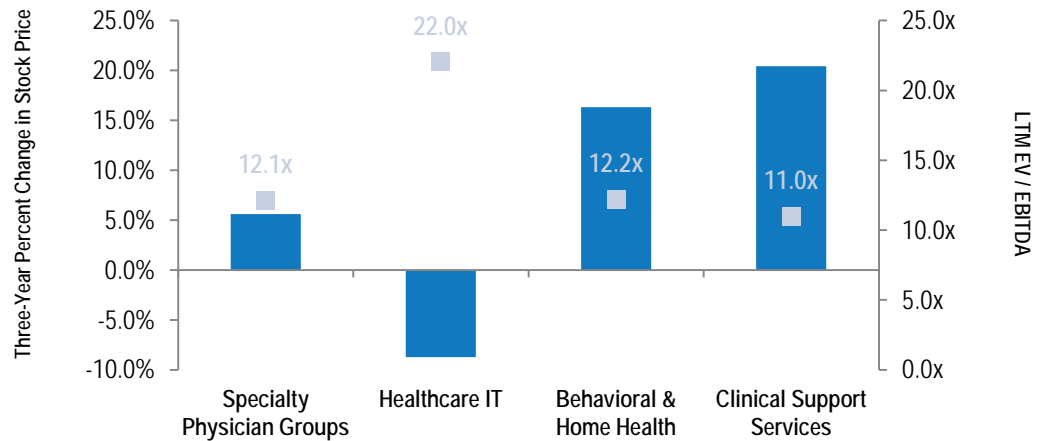
Equity Trading Overview

Public Company Sector Performance vs S&P 500

Share Prices Indexed – Market Cap Weights
(04/01/2016 = 100%)



Public Company Sector Performance



Key Trading Statistics

Sector	Number of Companies	Median Enterprise Value (\$mm)	Median Stock Price Performance		Median Forward Ratios		Median LTM Multiples		Median 2017E Multiples	
			1 Year	3 Years	P/E	PEG	EV/Revenue	EV/EBITDA	EV/Revenue	EV/EBITDA
Specialty Physician Groups	3	\$14,071	2%	6%	16.0x	1.2x	2.5x	12.1x	1.5x	9.8x
Healthcare IT	6	\$2,883	-3%	-9%	24.7x	1.8x	3.1x	22.0x	3.0x	12.1x
Behavioral & Home Health	12	\$2,391	-2%	16%	16.8x	1.5x	1.6x	12.2x	1.4x	11.0x
Clinical Support Services	7	\$20,073	-1%	20%	15.2x	1.4x	0.6x	11.0x	0.6x	10.3x

Select Company Trading Metrics

Key trading data as of 03/31/2017

(\$ in Millions, except per-share data)

Company	Enterprise Value	Equity Value	Revenue		EBITDA		EV / Revenue			EV / EBITDA		
			LTM	2017E	LTM	2017E	LTM	2017E	2018E	LTM	2017E	2018E
Specialty Physician Groups												
DaVita Inc.	\$22,291	\$13,227	\$14,733	\$15,225	\$2,493	\$2,467	1.5x	1.5x	1.4x	8.9x	9.0x	8.7x
Envision Healthcare Corporation	13,551	7,204	3,696	10,541	796	1,383	3.7x	1.3x	1.2x	17.0x	9.8x	8.7x
MEDNAX, Inc.	8,017	6,379	3,183	3,522	661	711	2.5x	2.3x	2.1x	12.1x	11.3x	10.3x
Healthcare Technology												
Cerner Corporation	\$19,611	\$19,404	\$4,708	\$5,182	\$1,315	\$1,710	4.2x	3.8x	3.5x	14.9x	11.5x	10.5x
athenahealth, Inc.	4,597	4,453	1,083	1,287	107	308	4.2x	3.6x	3.1x	42.9x	14.9x	12.9x
Allscripts Healthcare Solutions, Inc.	3,952	2,289	1,550	1,721	152	354	2.5x	2.3x	2.2x	26.0x	11.2x	10.3x
WebMD Health Corp.	1,995	1,941	705	719	188	237	2.8x	2.8x	2.7x	10.6x	8.4x	8.1x
HMS Holdings Corp.	1,720	1,699	496	544	95	135	3.5x	3.2x	2.8x	18.1x	12.8x	11.2x
Omniceil, Inc.	1,702	1,502	693	749	63	97	2.5x	2.3x	2.1x	27.0x	17.5x	12.2x
Behavioral & Home Health												
Universal Health Services, Inc.	\$16,198	\$12,022	\$9,766	\$10,659	\$1,698	\$1,808	1.7x	1.5x	1.4x	9.5x	9.0x	8.4x
Brookdale Senior Living Inc.	8,319	2,491	4,239	4,640	796	685	2.0x	1.8x	1.8x	10.4x	12.1x	12.1x
HealthSouth Corporation	7,119	3,812	3,646	3,922	820	811	2.0x	1.8x	1.7x	8.7x	8.8x	8.3x
Acadia Healthcare Company, Inc.	7,078	3,829	2,811	2,880	580	632	2.5x	2.5x	2.3x	12.2x	11.2x	10.2x
Kindred Healthcare, Inc.	3,937	711	7,220	7,135	546	918	0.5x	0.6x	0.6x	7.2x	4.3x	4.7x
Chemed Corporation	3,074	2,980	1,577	1,639	219	252	1.9x	1.9x	1.8x	14.0x	12.2x	11.8x
Amedisys, Inc.	1,781	1,717	1,418	1,521	81	141	1.3x	1.2x	1.1x	21.9x	12.6x	11.0x
Capital Senior Living Corporation	1,327	422	446	478	76	101	3.0x	2.8x	2.6x	17.5x	13.1x	11.8x
The Ensign Group, Inc.	1,175	957	1,655	1,781	119	175	0.7x	0.7x	0.6x	9.9x	6.7x	6.1x
LHC Group, Inc.	1,082	978	900	1,009	84	91	1.2x	1.1x	1.0x	12.9x	11.9x	10.8x
Addus HomeCare Corporation	383	366	401	426	31	36	1.0x	0.9x	0.9x	12.3x	10.8x	9.7x
AAC Holdings, Inc.	377	202	258	299	28	52	1.5x	1.3x	1.2x	13.3x	7.2x	6.2x
Clinical Support Services												
CVS Health Corporation	\$105,308	\$81,231	\$177,526	\$184,279	\$13,050	\$12,716	0.6x	0.6x	0.5x	8.1x	8.3x	7.9x
Walgreens Boots Alliance, Inc.	99,286	89,645	116,081	118,234	7,725	8,849	0.9x	0.8x	0.7x	12.9x	11.2x	9.8x
Cardinal Health, Inc.	29,439	25,725	127,236	130,911	3,072	3,262	0.2x	0.2x	0.2x	9.6x	9.0x	8.5x
Laboratory Corporation of America Holdings	20,108	14,677	9,437	9,935	1,831	2,033	2.1x	2.0x	1.9x	11.0x	9.9x	9.4x
Quest Diagnostics Incorporated	17,073	13,501	7,515	7,670	1,406	1,548	2.3x	2.2x	2.2x	12.1x	11.0x	10.6x
Rite Aid Corporation	11,526	4,478	32,574	32,579	1,179	1,121	0.4x	0.4x	0.3x	9.8x	10.3x	10.3x
Diplomat Pharmacy, Inc.	1,204	1,065	4,410	4,532	78	98	0.3x	0.3x	0.2x	15.5x	12.3x	10.7x
Specialty Physician Groups Median												
	\$13,551	\$7,204	\$3,696	\$10,541	\$796	\$1,383	2.5x	1.5x	1.4x	12.1x	9.8x	8.7x
Healthcare Technology Median												
	\$2,974	\$2,115	\$894	\$1,018	\$130	\$272	3.1x	3.0x	2.8x	22.0x	12.1x	10.9x
Behavioral & Home Health Median												
	\$2,427	\$1,348	\$1,616	\$1,710	\$169	\$213	1.6x	1.4x	1.3x	12.2x	11.0x	9.9x
Clinical Support Services Median												
	\$20,108	\$14,677	\$32,574	\$32,579	\$1,831	\$2,033	0.6x	0.6x	0.5x	11.0x	10.3x	9.8x
Group Median												
	\$5,837	\$3,396	\$3,415	\$3,722	\$563	\$658	2.0x	1.7x	1.6x	12.2x	11.1x	10.2x

Select M&A Transactions

(\$ in Millions)

Date	Target	Acquirer	Healthcare Subsector	Firm Value	Firm Value / Revenue	EBITDA
03/31/2017	Crown Vision Center and EyeIQ Corporation and International Eyecare Center, Inc.	Acuity Eyecare Holdings LLC	Specialty Physician Group	-	-	-
03/31/2017	Tampa Palms Dermatology	Riverchase Dermatology and Cosmetic Surgery	Specialty Physician Group	-	-	-
03/30/2017	New Hope Hospice, Inc.	Community Health and Counseling Services	Behavioral and Home Health	-	-	-
03/23/2017	Bruce E. Snyder, M.D., P.L.L.C.	MEDNAX, Inc.	Specialty Physician Group	-	-	-
03/22/2017	Homelwn Hospice & Homecare, Inc.	JPB Capital Partners	Behavioral and Home Health	-	-	-
03/22/2017	Avalon By The Sea, Inc.	New Vista Behavioral Health	Behavioral and Home Health	-	-	-
03/21/2017	Rx Medical Web, L.L.C.	Empire Medical Training, Inc.	Healthcare Technology	-	-	-
03/20/2017	Bournemouth Health Systems	Alla Care, L.L.C.	Behavioral and Home Health	-	-	-
03/16/2017	Dr. Jaffe, O'Neill and Lindgren, P.A.	AAD Dermatology Management, L.L.C.	Specialty Physician Group	-	-	-
03/16/2017	Polyglot Systems, Inc.	First Databank, Inc.	Healthcare Technology	-	-	-
03/15/2017	Capsid Health, Inc.	Traik, L.L.C.	Healthcare Technology	-	-	-
03/15/2017	HealthHelp, Inc.	WNS (Holdings) Ltd.	Healthcare Technology	95.0	-	-
03/14/2017	Dermatology Consultants Of Albuquerque P.C. and Dermatology Center, P.C.	Epiphany Dermatology P.A.	Specialty Physician Group	-	-	-
03/14/2017	Verisy Corporation	Spectrum Equity Management, L.P.	Healthcare Technology	-	-	-
03/13/2017	Midwest Perinatal Associates, P.A.	MEDNAX, Inc.	Specialty Physician Group	-	-	-
03/13/2017	Bostwick Laboratories, Inc.	Poplar Healthcare	Clinical Support Services	6.4	-	-
03/10/2017	Eliza Corporation	HMS Holdings Corp.	Healthcare Technology	170.0	-	-
03/08/2017	Lower Manhattan Medical Associates, P.C.	Schweiger Dermatology Group, L.L.C.	Specialty Physician Group	-	-	-
03/08/2017	TreatMD, Inc.	GlobalMedia Group, L.L.C.	Healthcare Technology	-	-	-
03/08/2017	Alignment Healthcare, L.L.C.	Warburg Pincus, L.L.C.	Healthcare Technology	-	-	-
03/08/2017	Addus HomeCare Corporation, Three Health Centers in Illinois	Senior Care Centers of America, Inc.	Behavioral and Home Health	-	-	-
03/07/2017	Imaging Advantage, L.L.C.	Envision Healthcare Corporation	Healthcare Technology	-	-	-
03/03/2017	Dallas Dermatology, L.L.C.	Epiphany Dermatology PA	Specialty Physician Group	-	-	-
03/02/2017	PopHealthCare, L.L.C.	GuideWell Mutual Holding Corporation	Healthcare Technology	-	-	-
03/01/2017	Hospice of the Pines, L.L.C.	Cornerstone Healthcare, Inc.	Behavioral and Home Health	-	-	-
02/28/2017	Tenet Healthcare Corp., Six Home Health and Hospice Care Centers	Amedisys, Inc.	Behavioral and Home Health	-	-	-
02/23/2017	Grand Rapids Ophthalmology, P.C.	Sterling Partners	Specialty Physician Group	-	-	-
02/23/2017	Hinext, Inc.	VitalHub Corp.	Healthcare Technology	3.9	1.6	-
02/23/2017	Pathology Associates Medical Laboratories, L.L.C.	Laboratory Corporation of America Holdings	Clinical Support Services	-	-	-
02/21/2017	Biolumia Laboratories Inc.	Vnergy Resources Ltd.	Clinical Support Services	0.4	-	-
02/16/2017	Reproductive Medicine Associates of New Jersey, L.L.C.	Instituto Valenciano De Infertilidad SA	Clinical Support Services	-	-	-
02/14/2017	Medical Reimbursements of America, Inc.	Riverside Partners, L.L.C.	Healthcare Technology	-	-	-
02/14/2017	THINKMD, Inc.	Development Alternatives, Inc.	Healthcare Technology	-	-	-
02/14/2017	Greenstone Healthcare Corporation, substantially all of the assets of the Canadian	Canadian Addiction Residential Treatment LP	Behavioral and Home Health	8.8	-	-
02/13/2017	Retriever Medical / Dental Payments, Inc.	TA Associates Management, L.P.	Healthcare Technology	-	-	-
02/07/2017	Minnesota Eye Consultants, P.A.	Waud Capital Partners, L.L.C.	Specialty Physician Group	-	-	-
02/06/2017	Newborn Intensive Care Specialists, P.A.	MEDNAX, Inc.	Specialty Physician Group	-	-	-
02/06/2017	Texoma Dermatology Clinic, P.A.	Texas Dermatology Associates, P.A.	Specialty Physician Group	-	-	-
02/06/2017	Hermann Park Memory Care & Rehabilitation	Silverado Senior Living, Inc.	Behavioral and Home Health	-	-	-
02/03/2017	TLC Clinic Of Tilton and Private Clinic Albany	Behavioral Health Group, Inc.	Behavioral and Home Health	-	-	-
02/02/2017	NeuroCall, Inc.	Specialists On Call Inc.	Healthcare Technology	-	-	-
02/01/2017	American HealthCare Staffing Association, L.L.C.	BellHealth Investment Partners, L.L.C.	Healthcare Technology	-	-	-
02/01/2017	PointClickCare Corp.	JMI Equity, Dragoner Investment Group, L.L.C.	Healthcare Technology	-	-	-
01/31/2017	C30 Medical Corporation	InTouch Technologies, Inc.	Healthcare Technology	-	-	-
01/31/2017	Willow Crest Hospital, Inc.	Vizion Health, L.L.C.	Behavioral and Home Health	-	-	-
01/30/2017	Radiology Alliance	MEDNAX, Inc.	Specialty Physician Group	-	-	-
01/30/2017	PAR Excellence Systems, Inc.	Norlane Capital Partners, L.L.C.	Healthcare Technology	-	-	-
01/30/2017	Philmont Guidance Center, PC	Holy Redeemer Health System, Inc.	Behavioral and Home Health	-	-	-
01/30/2017	Medizinisches Labor Bremen GbR	Sonic Healthcare Limited	Clinical Support Services	66.9	2.1	-
01/26/2017	Integrity Tracking, L.L.C.	ABRY Partners, L.L.C.	Healthcare Technology	130.0	-	-
01/24/2017	CoverMyMeds, L.L.C.	McKesson Corporation	Healthcare Technology	1,400.0	-	-
01/23/2017	Dermatology Associates of Colorado and Cara Mia Medical Spa	Advanced Dermatology & Cosmetic Surgery Inc.	Specialty Physician Group	-	-	-
01/23/2017	Scottsdale Dermatology Ltd.	Advanced Dermatology & Cosmetic Surgery Inc.	Specialty Physician Group	-	-	-
01/23/2017	Spiral Genetics, Inc.	Omicia, Inc.	Healthcare Technology	-	-	-
01/23/2017	Padre Home Health, Inc. and Royalty Personal Assistance Service, L.L.C.	Guardian Home Care Holdings, Inc.	Behavioral and Home Health	-	-	-
01/20/2017	Maryland Dermatology Associates, LLC	AAD Dermatology Management, L.L.C.	Specialty Physician Group	-	-	-
01/19/2017	Price Choice Pharmacy, L.L.C.	True Nature Holding, Inc.	Clinical Support Services	1.0	0.3	-
01/19/2017	Missoula Radiology, P.C.	Inland Imaging, L.L.C.	Specialty Physician Group	-	-	-
01/18/2017	Healthcare Data Solutions, L.L.C.	Aprima Medical Software, Inc.	Healthcare Technology	-	35.0	-
01/18/2017	River Valley Care Center, Inc. (nka:The Grand Rehabilitation and Nursing at River	The Grand Healthcare System	Behavioral and Home Health	-	-	-
01/17/2017	Quoft Corporation And HealthCompare Insurance Services, Inc.	National General Holdings Corp.	Healthcare Technology	-	-	-
01/17/2017	Pediatric Services of America, Inc. (nka: Aveanna Healthcare)	J.H. Whitney & Co., LLC	Behavioral and Home Health	-	-	-
01/12/2017	Genospace, L.L.C.	Sarah Cannon Research Institute, L.L.C.	Healthcare Technology	-	-	-
01/12/2017	Etransmedia Technology, Inc.	Formalv Health	Healthcare Technology	-	-	-
01/12/2017	Trinity Healthcare Staffing Group, Inc.	Travel Nurse across America, L.L.C.	Clinical Support Services	-	-	-
01/10/2017	Mount Sinai Health System, Inc., Clinical Outreach Laboratories	Laboratory Corporation of America Holdings	Clinical Support Services	-	-	-
01/09/2017	Affinity Biotech, Inc.	Diplomat Pharmacy, Inc.	Clinical Support Services	20.0	0.7	6.7
01/05/2017	Southlake Dermatology	Platinum Dermatology Partners, L.L.C.	Specialty Physician Group	-	-	-
01/05/2017	Healthx, Inc.	JMI Equity	Healthcare Technology	-	-	-
01/04/2017	Sunshine Radiology, L.L.C.	Envision Healthcare Corporation	Specialty Physician Group	-	-	-
01/03/2017	Oro Valley Anesthesia, L.L.C.	Envision Healthcare Corporation	Specialty Physician Group	-	-	-
01/01/2017	Bedford Anesthesia, PLLC	CareMount Medical, P.C.	Specialty Physician Group	-	-	-
01/01/2017	Howard K. Scott, M.D. & Associates P.C.	Pediatric Alliance P.C.	Specialty Physician Group	-	-	-
01/01/2017	Fast Access Specialty Therapeutics, L.L.C.	Factor One Source Pharmacy LLC	Clinical Support Services	-	-	-

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Recent MHT Partners Healthcare Transactions



has formed a partnership with



a portfolio company of



has formed partnerships with



and

Hanover Medical, LLC



a portfolio company of



has entered into an agreement to provide practice management services to



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- ✓ Exceptional client service
- ✓ "One stop shop" for middle market companies
- ✓ Unique resource for middle market management teams

Sell Side Advisory

- ✓ Superior transaction execution
- ✓ More robust M&A strategies
- ✓ Ability and desire to serve as advisors to companies even if there is no imminent transaction

Capital Raises

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