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## Healthcare Services Industry Update Q2 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

## Q2 2017

Industry Update

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About MHT Partners

## The Pulse

### Bain Acquires H.I.G.'s Stake in Surgery Partners; Backs NSH Deal

On May 10<sup>th</sup>, H.I.G. Capital announced that it had agreed to sell its majority stake in Surgery Partners, Inc (NASDAQ: SGRY) to Bain Capital Private Equity for \$19 per share. The deal value equates to approximately 13.3x LTM EBITDA.

At the same time, Surgery Partners announced that Bain will provide partial financing for the acquisition of National Surgical Healthcare ("NSH") from Irving Place Capital for approximately \$760 million, in a deal that is expected to be accretive in the first year.

The transaction is reflective of investors' continuing interest in outpatient delivery models that provide high quality while containing costs.

Despite ongoing uncertainty in Washington DC with regard to the future of US healthcare under the Affordable Care Act, dealmaking activity in the healthcare services industry remained robust through the second quarter of the year.



As the revised American Health Care Act (“AHCA”) is debated by the Senate, having been passed by the House of Representatives by a narrow margin in May, private equity and strategic investors continue to pursue M&A undeterred. Perceived clarity around the expected nature of revisions to federal insurance funding has served to underscore what many in the investment community have believed since last November’s election: that the majority of investment criteria already largely insulated buyers from changes to Obamacare.

Large amounts of investible capital (according to Preqin, buyout funds held \$530 billion of dry powder in March 2017), favorable macroeconomic trends (declining unemployment and underemployment, an aging US population), and ongoing opportunities to create value via synergies are expected to continue to support strong M&A activity into the foreseeable future. As sellers look to capitalize upon sustained strength in the market, dealflow is expected to remain strong as well.

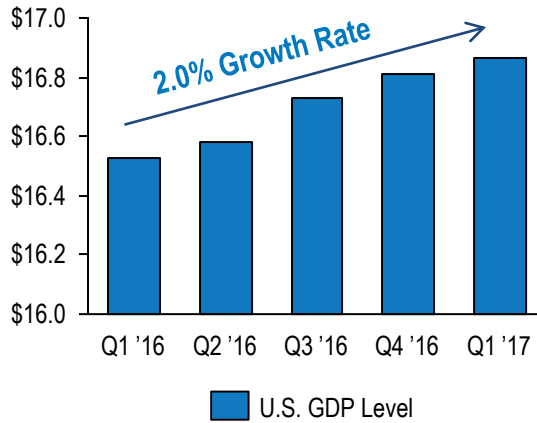
Regardless of what changes come out of the Beltway, many investors remain confident that healthcare companies that are improving patient outcomes with an eye toward controlling costs will remain attractive acquisition targets going into the second half of the year.

# Economic Trends

Key economic indicators for the Healthcare Services industry.

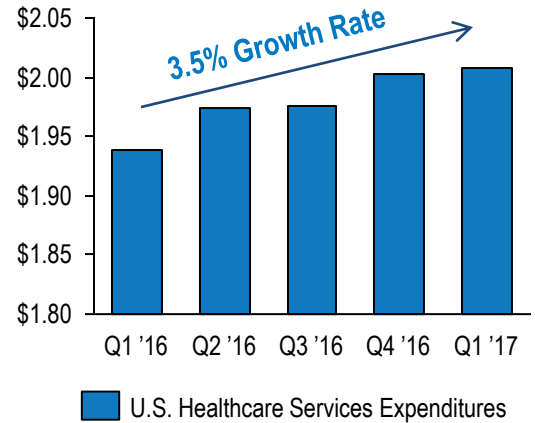
## Real<sup>1</sup> U.S. GDP Growth

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



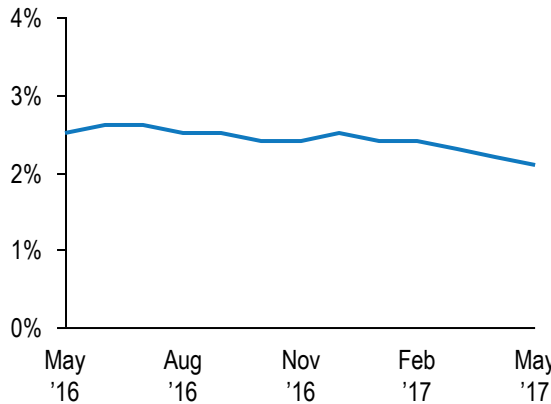
## U.S. Healthcare Consumption

(Real<sup>1</sup> \$ in Trillions, seasonally adjusted at annual rates)



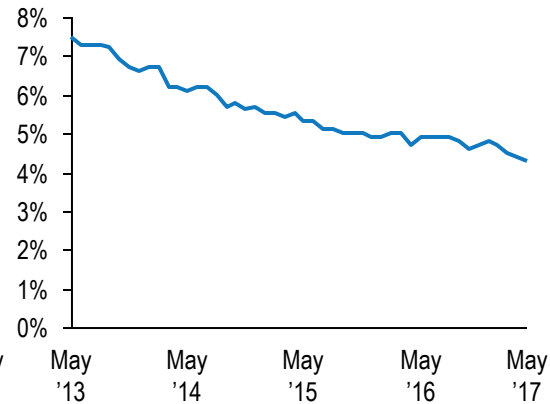
## U.S. Healthcare Employment Growth

(Variance to prior year, seasonally adjusted)



## U.S. Unemployment Rate

(Seasonally adjusted)

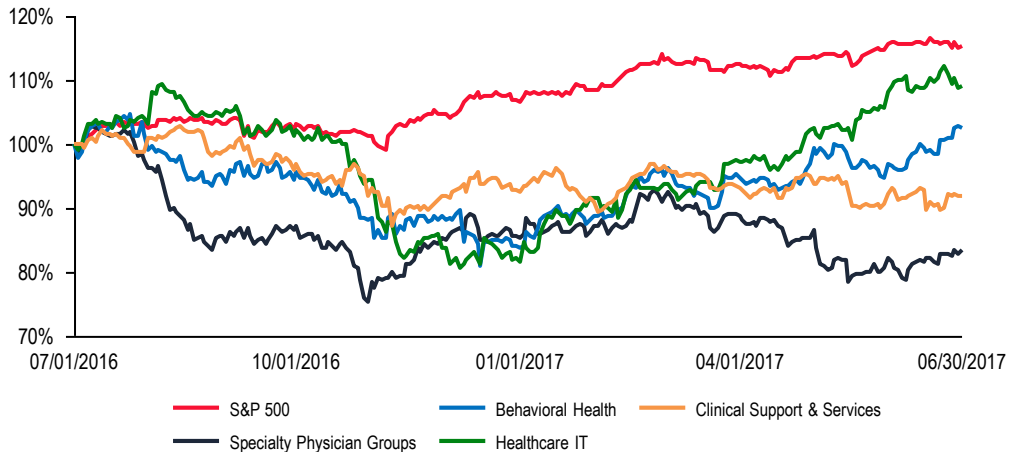


(1) 2009 dollars

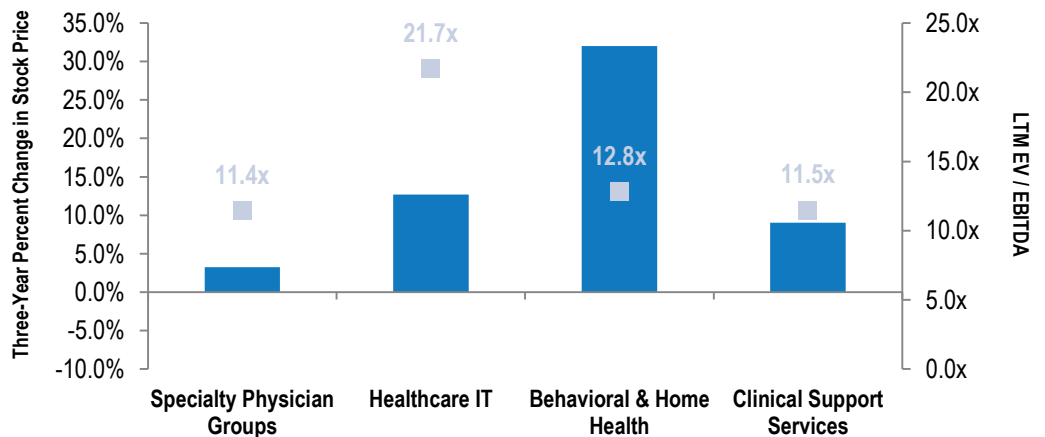
Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, Centers for Disease Control

## Public Company Sector Performance vs S&P 500

Share Prices Indexed – Market Cap Weights  
(07/01/2016 = 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	\$13,722	-17%	3%	16.9x	1.5x	2.3x	11.4x	1.7x	12.1x
Healthcare IT	6	\$3,059	3%	13%	26.1x	1.8x	3.2x	21.7x	2.9x	12.4x
Behavioral & Home Health	12	\$2,776	3%	32%	19.1x	1.8x	1.5x	12.8x	1.5x	11.7x
Clinical Support Services	7	\$21,340	-6%	9%	15.4x	1.6x	0.6x	11.5x	0.6x	10.7x

# Select Company Trading Metrics

Key trading data as of 06/30/2017

(\$ 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
<b>Specialty Physician Groups</b>												
DaVita Inc.	\$21,086	\$12,602	\$14,850	\$15,221	\$2,464	\$2,452	1.4x	1.4x	1.3x	8.6x	8.6x	8.3x
Envision Healthcare Corporation	13,722	7,275	4,850	7,950	913	1,044	2.8x	1.7x	1.5x	15.0x	13.1x	11.4x
MEDNAX, Inc.	7,408	5,558	3,266	3,472	649	611	2.3x	2.1x	2.0x	11.4x	12.1x	11.0x
<b>Healthcare Technology</b>												
Cerner Corporation	\$21,982	\$21,964	\$4,827	\$5,214	\$1,351	\$1,708	4.6x	4.2x	3.9x	16.3x	12.9x	11.8x
athenahealth, Inc.	5,784	5,599	1,112	1,223	112	263	5.2x	4.7x	4.2x	51.5x	22.0x	18.3x
Allscripts Healthcare Solutions, Inc.	3,979	2,315	1,618	1,718	153	348	2.5x	2.3x	2.2x	25.9x	11.4x	10.5x
WebMD Health Corp.	2,139	2,128	701	720	182	237	3.1x	3.0x	2.8x	11.8x	9.0x	8.7x
Ornicell, Inc.	1,770	1,602	672	730	44	87	2.6x	2.4x	2.2x	40.3x	20.4x	13.1x
HMS Holdings Corp.	1,582	1,552	484	563	91	134	3.3x	2.8x	2.5x	17.4x	11.8x	10.1x
<b>Behavioral &amp; Home Health</b>												
Universal Health Services, Inc.	\$15,714	\$11,804	\$9,929	\$10,577	\$1,702	\$1,792	1.6x	1.5x	1.4x	9.2x	8.8x	8.3x
Brookdale Senior Living Inc.	7,847	2,739	4,194	4,568	809	694	1.9x	1.7x	1.7x	9.7x	11.3x	11.2x
Acadia Healthcare Company, Inc.	7,592	4,337	2,873	2,867	585	633	2.6x	2.6x	2.5x	13.0x	12.0x	10.9x
HealthSouth Corporation	7,578	4,333	3,711	3,936	825	816	2.0x	1.9x	1.8x	9.2x	9.3x	8.8x
Kindred Healthcare, Inc.	4,359	998	7,150	6,510	520	823	0.6x	0.7x	0.7x	8.4x	5.3x	5.2x
Chemed Corporation	3,389	3,289	1,592	1,649	217	255	2.1x	2.1x	2.0x	15.6x	13.3x	12.7x
Amedisys, Inc.	2,163	2,118	1,437	1,527	95	142	1.5x	1.4x	1.3x	22.7x	15.3x	13.2x
Capital Senior Living Corporation	1,442	441	453	475	77	101	3.2x	3.0x	2.8x	18.7x	14.2x	12.8x
The Ensign Group, Inc.	1,334	1,104	1,713	1,773	120	177	0.8x	0.8x	0.7x	11.1x	7.5x	7.0x
LHC Group, Inc.	1,332	1,241	926	1,029	86	94	1.4x	1.3x	1.2x	15.5x	14.1x	12.8x
Addus HomeCare Corporation	433	428	410	426	32	36	1.1x	1.0x	0.9x	13.5x	12.0x	10.5x
AAC Holdings, Inc.	348	167	265	299	27	53	1.3x	1.2x	1.1x	12.7x	6.6x	5.7x
<b>Clinical Support Services</b>												
CVS Health Corporation	\$107,028	\$81,892	\$178,825	\$184,195	\$12,813	\$12,608	0.6x	0.6x	0.6x	8.4x	8.5x	8.1x
Walgreens Boots Alliance, Inc.	91,640	83,799	116,701	118,489	7,342	8,792	0.8x	0.8x	0.7x	12.5x	10.4x	9.5x
Cardinal Health, Inc.	28,842	24,613	128,394	129,712	3,099	3,234	0.2x	0.2x	0.2x	9.3x	8.9x	8.5x
Laboratory Corporation of America Holdings	21,340	15,769	9,550	9,863	1,851	2,003	2.2x	2.2x	2.1x	11.5x	10.7x	10.1x
Quest Diagnostics Incorporated	18,773	15,210	7,551	7,692	1,422	1,549	2.5x	2.4x	2.4x	13.2x	12.1x	11.6x
Rite Aid Corporation	10,134	3,108	32,442	31,721	1,000	927	0.3x	0.3x	0.4x	10.1x	10.9x	10.6x
Diplomat Pharmacy, Inc.	1,115	994	4,493	4,559	76	99	0.2x	0.2x	0.2x	14.7x	11.2x	9.9x
<b>Specialty Physician Groups Median</b>												
	\$13,722	\$7,275	\$4,850	\$7,950	\$913	\$1,044	2.3x	1.7x	1.5x	11.4x	12.1x	11.0x
<b>Healthcare Technology Median</b>												
	\$3,059	\$2,222	\$906	\$976	\$133	\$250	3.2x	2.9x	2.7x	21.7x	12.3x	11.1x
<b>Behavioral &amp; Home Health Median</b>												
	\$2,776	\$1,680	\$1,653	\$1,711	\$169	\$216	1.5x	1.5x	1.4x	12.8x	11.6x	10.7x
<b>Clinical Support Services Median</b>												
	\$21,340	\$15,769	\$32,442	\$31,721	\$1,851	\$2,003	0.6x	0.6x	0.6x	11.5x	10.7x	9.9x
<b>Group Median</b>												
	\$6,596	\$3,199	\$3,489	\$3,704	\$553	\$622	2.0x	1.7x	1.6x	12.8x	11.4x	10.5x

# Select M&A Transactions

(\$ in Millions)

Date	Target	Acquirer	Healthcare Subsector	Firm	Firm Value /	
				Value	Revenue	EBITDA
04/01/2017	Rehabilitation Center of Des Moines, LLC	The Ensign Group, Inc.	Behavioral and Home Health	-	-	-
04/03/2017	University Pathologists, LLC	Aurora Diagnostics Holdings, LLC	Clinical Support and Services	-	-	-
04/04/2017	Kissito PACE of Roanoke, Inc.	InnovAge Home Care	Behavioral and Home Health	-	-	-
04/04/2017	WPC Healthcare, Inc.	Intermedix Corporation	Healthcare Technology	-	-	-
04/05/2017	Advanced Practice Strategies, Inc.	Relias Learning, LLC	Healthcare Technology	-	-	-
04/06/2017	Medical Arts Dermatology PA	Epiphany Dermatology PA	Specialty Physician Group	-	-	-
04/06/2017	PB Institute Partners Limited Partnership	Delphi Behavioral Health Group, LLC	Behavioral and Home Health	-	-	-
04/10/2017	Trauma Healing Centers Incorporated	OrganiGram Holdings Inc.	Specialty Physician Group	1.3	-	-
04/10/2017	LeonardoMD, Inc.	Azalea Health Innovations, Inc.	Healthcare Technology	-	-	-
04/11/2017	Doc Halo, LLC	Bain Capital Ventures; Refinery Ventures	Healthcare Technology	-	-	-
04/11/2017	Evidation Health, Inc.	SanoGenzyme BioVentures; SanoGenzyme BioVentures; GE	Healthcare Technology	-	-	-
04/12/2017	Entrada, Inc.	NexGen Healthcare Information Systems, LLC	Healthcare Technology	34.0	2.8	-
04/13/2017	Care Hospice, Inc.	CHSO Management, LLC	Behavioral and Home Health	-	-	-
04/13/2017	Onkos Surgical Inc.	Canaan Partners; 3D Systems Corporation; 1315 Capital LLC	Healthcare Technology	-	-	-
04/17/2017	Southwestern Eye Center, Ltd.	H.I.G. Capital, LLC	Specialty Physician Group	-	-	-
04/17/2017	Las Cruces Dermatology Associates, P.C.	Epiphany Dermatology PA	Specialty Physician Group	-	-	-
04/18/2017	Pathology Associates of Princeton	Aurora Diagnostics, LLC	Clinical Support and Services	-	-	-
04/19/2017	InPharmics	Omniceil, Inc.	Healthcare Technology	-	-	-
04/19/2017	Medicalis Corp.	Siemens Healthineers, Inc.	Healthcare Technology	-	-	-
04/24/2017	Forecast Health, Inc.	Lumeris, Inc.	Healthcare Technology	-	-	-
04/25/2017	Source Medical Solutions, Inc.	Surgical Information Systems, LLC	Healthcare Technology	-	-	-
04/27/2017	openDoctors 247, Inc.	University Radiology Group PC	Healthcare Technology	-	-	-
04/27/2017	Lightshed Healthcare Technologies LLC	DocuTAP, Inc.	Healthcare Technology	-	-	-
05/01/2017	Cornerstone Healthcare (nka:Rainier Home Health)	Cornerstone Healthcare, Inc.	Behavioral and Home Health	-	-	-
05/01/2017	DILysm Services, Inc.	Simulations Plus, Inc.	Healthcare Technology	9.5	-	-
05/02/2017	MedPilot Inc.	Hudson River Capital Partners; Fuchs Ventures, LLC	Healthcare Technology	-	-	-
05/02/2017	Milner-Fenwick, Inc.	Interactivation Health Networks LLC	Healthcare Technology	-	-	-
05/02/2017	Dermatology Consultants of North Dallas	Platinum Dermatology Partners, LLC	Specialty Physician Group	-	-	-
05/03/2017	Reconstructive Orthopaedics and Sports Medicine, Inc	Commonwealth Orthopaedic Centers, PSC	Specialty Physician Group	-	-	-
05/04/2017	Options Services, Inc.	Addus HomeCare Corporation	Behavioral and Home Health	-	-	-
05/04/2017	LogicStream Health Inc.	Noro-Moseley Partners	Healthcare Technology	-	35.0	-
05/04/2017	Village Dermatology and Skin Rejuvenation LLP	Schweiger Dermatology Group LLC	Specialty Physician Group	-	-	-
05/05/2017	Adirondack Tri-County Nursing And Rehabilitation Center, Inc.	112 Ski Bowl Road Operating Co. LLC	Behavioral and Home Health	-	-	-
05/07/2017	River Vision Development Corp.	Horizon Pharma Public Limited Company	Clinical Support and Services	145.0	-	-
05/08/2017	Stay at Home Personal Care, LLC	Care Advantage, Inc.	Behavioral and Home Health	-	-	-
05/08/2017	Associates in Medical Physics, LLC	L2 Capital Partners	Clinical Support and Services	-	-	-
05/08/2017	Modernizing Medicine, Inc.	Warburg Pincus LLC	Healthcare Technology	-	-	-
05/11/2017	BH Brightview New Pond Village, L.L.C.	Farallon Capital Management, L.L.C.; Benchmark Senior Living	Behavioral and Home Health	-	-	-
05/11/2017	Merus Labs International Inc.	Norgine B.V.	Clinical Support and Services	262.2	3.3	8.2
05/11/2017	DeepRadiology Inc.	Senelec Corporation Limited	Healthcare Technology	-	-	-
05/11/2017	Bentec Scientific, LLC	Greyrock Capital Group, LLC; Heritage Equity Partners	Healthcare Technology	-	-	-
05/12/2017	Medrio, Inc.	Questa Capital Management	Healthcare Technology	-	-	-
05/15/2017	Cleveland Skin Pathology Laboratory Inc.	Aurora Diagnostics, LLC	Clinical Support and Services	-	-	-
05/17/2017	Global Healthcare Exchange, LLC	Temasek Capital Management Pte Ltd	Healthcare Technology	-	-	-
05/18/2017	Daly Care Assoc - At Home Care	Sunny Days In-Home Care, Inc.	Behavioral and Home Health	-	-	-
05/18/2017	Vistar Technologies Corp.	Vendor Credentialing Service LLC	Healthcare Technology	-	-	-
05/22/2017	Katzen Eye Group PA	Harvest Partners, LP	Specialty Physician Group	-	-	-
05/23/2017	Encoda, LLC	Clearwell Group	Healthcare Technology	-	-	-
05/24/2017	Dermatologists of Central States, LLC	Sheridan Capital Partners; Twin Brook Capital Partners	Specialty Physician Group	-	-	-
05/24/2017	VoxelCloud Inc.	Sequoia Capital	Healthcare Technology	-	-	-
05/26/2017	Sharecare Inc.	Summit Partners LLP	Healthcare Technology	-	-	-
05/30/2017	Bowes Dermatology	Riverchase Dermatology and Cosmetic Surgery	Specialty Physician Group	-	-	-
05/31/2017	Constant Therapy, Inc.	Digital Health Corp.	Healthcare Technology	-	-	-
06/01/2017	CompuNet Clinical Laboratories, LLC	Premier Health Partners, Inc.	Clinical Support and Services	-	-	-
06/02/2017	regroup therapy LLC	HLM Venture Partners; OCA Venture Partners, LLC; Hyde Park A	Healthcare Technology	-	-	-
06/05/2017	Behavioral Innovations, Inc.	Shore Capital Partners, LLC; Shore Capital Partners Fund II,	Behavioral and Home Health	-	-	-
06/06/2017	WhiteCloud Analytics Inc.	Relias Learning, LLC	Healthcare Technology	-	-	-
06/06/2017	Admetys Corp.	T1D Exchange	Healthcare Technology	-	-	-
06/08/2017	Praxify Technologies, Inc.	athenahealth, Inc.	Healthcare Technology	63.0	-	-
06/12/2017	Ascent Medical Group LLC	Siromed	Specialty Physician Group	-	-	-
06/12/2017	Med Fusion LLC	Quest Diagnostics Incorporated	Clinical Support and Services	-	-	-
06/13/2017	Med-Con Technologies LLC	Verify Smart Corp.	Healthcare Technology	-	-	-
06/13/2017	MedCo Data, LLC, Revenue Cycle Management Services Division	Encoda, LLC	Healthcare Technology	-	-	-
06/13/2017	Clean Hands Safe Hands LLC	S. C. Johnson & Son, Inc.	Healthcare Technology	-	-	-
06/14/2017	Captify Health, Inc.	Continuum Health Alliance, LLC	Healthcare Technology	-	-	-
06/20/2017	Dermatology Associates of Oklahoma, LLC	Epiphany Dermatology PA	Specialty Physician Group	-	-	-
06/21/2017	Affinity Dental Management Holdings LLC	MidOcean Partners	Specialty Physician Group	-	-	-
06/27/2017	Cape Cod Healthcare, Inc., Laboratory Services Business	Quest Diagnostics Incorporated	Clinical Support and Services	-	-	-
06/29/2017	Anesthesia Associates of New London, P.C.	Envision Physician Services	Specialty Physician Group	-	-	-
06/30/2017	UPMC Home Healthcare	University of Pittsburgh Medical Center	Behavioral and Home Health	-	-	-

These materials were prepared from publicly available information and other sources without independent verification by MHT Partners, and therefore neither MHT Partners nor any of its partners, directors, officers, employees or affiliates warrants the accuracy or completeness of these materials, including without limitation the accuracy or achievability of any valuations, projections, estimates or assumptions, all of which are necessarily preliminary and subject to further analysis. Actual results may vary from such valuations, projections, estimates and assumptions, and such variations may be material.



## Recent MHT Partners Healthcare Transactions

 Dermatology & Skin Surgery Center, PLC

has formed a partnership with

 DOCS

DERMATOLOGISTS OF CENTRAL STATES

a portfolio company of

 SHERIDAN CAPITAL PARTNERS

 NATIONAL NEUROMONITORING SERVICES

has formed partnerships with

 THE SPINE INSTITUTE OF LOUISIANA

and

**Hanover Medical, LLC**

 Tampa Bay Emergency Physicians

has formed a partnership with

 US Acute Care Solutions

a portfolio company of

 WCAS  
WELSH, CARSON, ANDERSON & STOWE

### *The Preeminent Advisor To Innovative, Niche Market Leaders*

#### Buy Side Advisory

- ✓ 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

Please contact the members of the MHT Partners team listed below with any inquiries

Taylor Curtis  
Managing Director  
tcurtis@mhtpartners.com  
214-269-1923

Patrick Krause  
Principal  
pkrause@mhtpartners.com  
415-446-9511

Alex Sauter  
Senior Associate  
asauter@mhtpartners.com  
617-589-4310



Boston | Dallas | San Francisco