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Healthcare Services Industry Update Q2 2018

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 & Post-Acute Care
- Technology-Enabled Solutions
- Provider & Product-Related Services

Q2 2018

Industry Insight

Economic Indicators

Equity Trading Overview

Select Company Trading Metrics

Select M&A Transactions

About MHT Partners

The Pulse

Three years ago, there were upwards of five specialty physician companies trading on U.S. equity markets. When KKR's acquisition of Envision closes, Mednax will be the last public player standing in the wake of consolidation and take-private transactions. Nevertheless, private equity-backed physician management companies continue to thrive. Private equity investments are distinct from their public counterparts because they (a) give partner physicians more say in the direction, culture, and clinical strategies of the organization and (b) include better-aligned financial incentives for doctors to produce and grow.

KKR to Acquire Envision for \$9.9 Billion

On May 17th, Envision Healthcare Corp. (NYSE:EVHC) announced that it had agreed to be acquired by KKR at a value of \$9.9 billion or \$46.00 per share. The transaction value equates to about 10.9x Enterprise Value to LTM EBITDA and is one of the largest leveraged buyouts of 2018 thus far.

In the twelve months since the last legitimate push by Congressional Republicans to repeal and replace Obamacare, not much has changed for investors navigating the complexity of the Affordable Care Act. As we approach the November midterm elections, with uncertainty about the future makeup of the Senate, it appears less likely than ever that a significant overhaul to the US healthcare system will emerge in the near future.



As a result of the relative regulatory continuity, and sustained exuberance in public and private equity markets, investors have remained active in both established and emerging segments within healthcare services.

Bolstered by significant levels of investable capital, provider groups, pharma services, technology solutions, and outpatient services are garnering more interest than ever as investors seek to partner with businesses that both improve clinical outcomes and take cost out of an overburdened system.

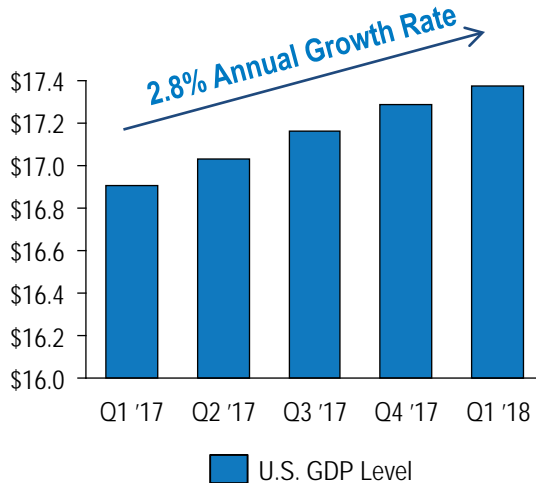
Although certainties in Washington as of late are nearly nonexistent, Congress and the administration's shift in focus away from significant healthcare reform stands to serve as a tailwind for uncertainty-sensitive investors. Sellers of high-performing healthcare companies can be expected to capitalize upon investor interest and sustained late-cycle conditions that are favorable for exiting shareholders. As a result, dealflow within middle-market healthcare services is expected to remain robust through 2018.

Economic Trends

Key economic indicators for the Healthcare Services industry.

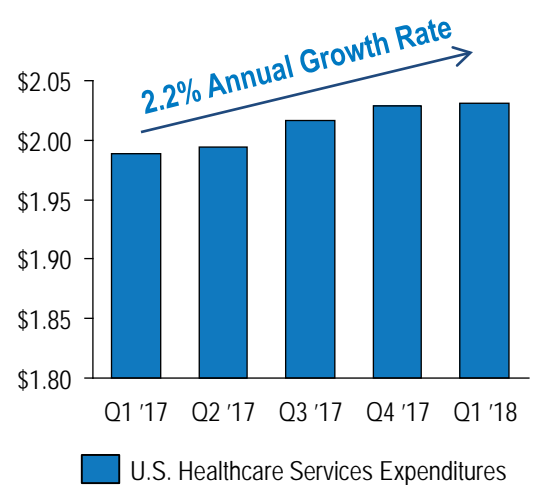
Real¹ U.S. GDP Growth

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



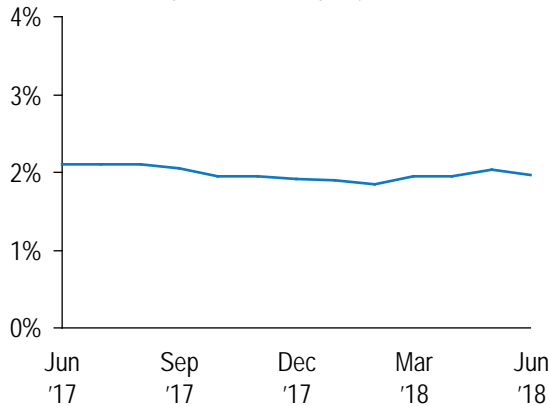
U.S. Healthcare Consumption

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



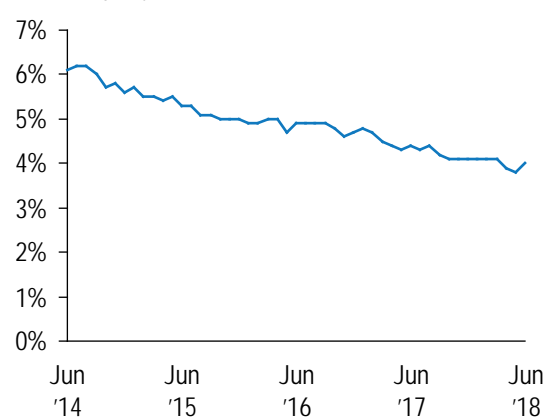
U.S. Healthcare Employment Growth

(Variance to prior year, seasonally adjusted)



U.S. Unemployment Rate

(Seasonally adjusted)

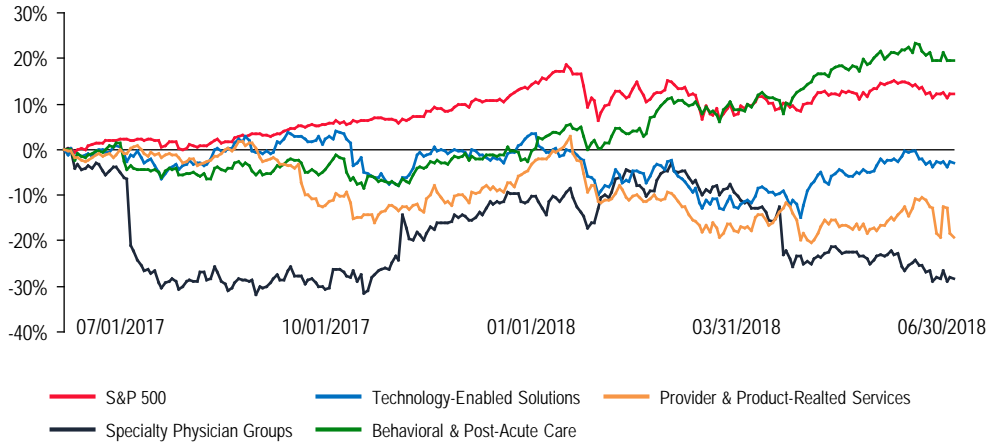


(1) 2009 dollars

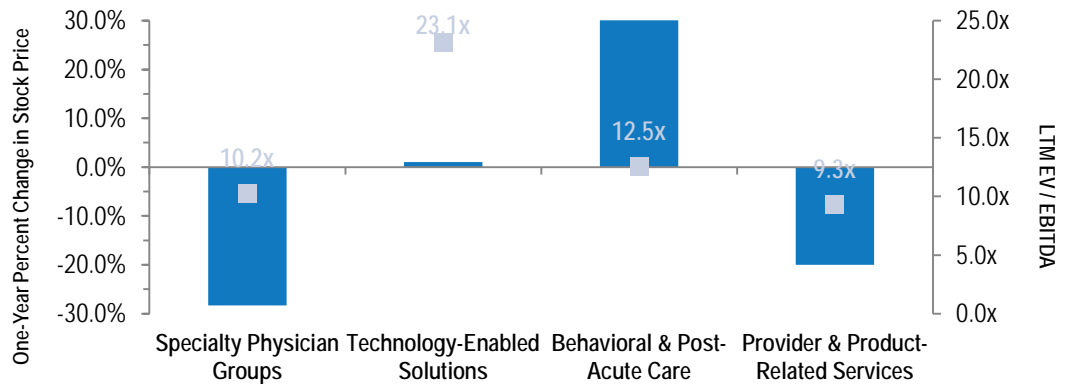
Sources: Bureau of Economic Analysis, Bureau of Labor Statistics

Public Company Sector Performance vs S&P 500

Share Prices Indexed – Market Cap Weights
(06/30/2017 = 0.0%)



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 2018E Multiples	
			1 Year	3 Years	P/E	PEG	EV/Revenue	EV/EBITDA	EV/Revenue	EV/EBITDA
Specialty Physician Groups	1	\$5,960	-28%	-42%	10.4x	1.0x	1.7x	10.2x	1.6x	9.8x
Technology-Enabled Solutions	9	\$1,971	1%	7%	26.1x	1.8x	2.9x	23.1x	2.7x	14.4x
Behavioral & Post-Acute Care	13	\$2,879	32%	37%	19.8x	1.5x	1.8x	12.5x	1.6x	11.2x
Provider & Product-Related Services	7	\$22,587	-20%	-39%	12.8x	1.2x	0.5x	9.3x	0.5x	8.2x

Select Company Trading Metrics

Key trading data as of 06/30/2018

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

Company	Enterprise Value	Equity Value	Revenue		EBITDA		EV / Revenue			EV / EBITDA			
			LTM	2018E	LTM	2018E	LTM	2018E	2019E	LTM	2018E	2019E	
Specialty Physician Groups													
Specialty Physician Groups	MEDNAX, Inc.	5,960	4,045	3,525	3,711	582	610	1.7x	1.6x	1.5x	10.2x	9.8x	9.1x
Technology-Enabled Solutions													
Technology-Enabled Solutions	Cerner Corporation	\$19,363	\$19,839	\$5,073	\$5,371	\$1,327	\$1,626	3.8x	3.6x	3.3x	14.6x	11.9x	10.9x
	athenahealth, Inc.	6,558	6,431	1,264	1,353	212	376	5.2x	4.8x	4.4x	30.9x	17.5x	15.7x
	Alscripts Healthcare Solutions, Inc.	4,212	2,135	1,907	2,180	145	432	2.2x	1.9x	1.8x	29.1x	9.7x	9.0x
	Omniceil, Inc.	2,204	2,039	750	791	64	124	2.9x	2.8x	2.5x	34.5x	17.7x	14.8x
	Premier, Inc.	1,971	1,913	1,630	1,640	666	535	1.2x	1.2x	1.1x	3.0x	3.7x	3.5x
	HMS Holdings Corp.	1,955	1,799	549	573	108	136	3.6x	3.4x	3.2x	18.1x	14.4x	13.5x
	Evolent Health, Inc.	1,555	1,622	468	580	(24)	21	3.3x	2.7x	2.3x	NM	72.4x	36.8x
	Quality Systems, Inc.	1,253	1,245	531	541	44	86	2.4x	2.3x	2.2x	28.2x	14.6x	13.0x
Computer Programs and Systems, Inc.	585	444	284	291	37	52	2.1x	2.0x	1.9x	15.7x	11.2x	11.4x	
Behavioral & Post-Acute Care													
Behavioral & Post-Acute Care	Universal Health Services, Inc.	\$14,438	\$10,521	\$10,485	\$10,873	\$1,710	\$1,782	1.4x	1.3x	1.3x	8.4x	8.1x	7.7x
	Encompass Health Corporation	9,625	6,692	4,008	4,193	840	861	2.4x	2.3x	2.2x	11.5x	11.2x	10.6x
	Acadia Healthcare Company, Inc.	6,818	3,610	2,899	3,063	591	642	2.4x	2.2x	2.1x	11.5x	10.6x	9.9x
	Brookdale Senior Living Inc.	6,330	1,705	3,748	4,582	606	552	1.7x	1.4x	1.4x	10.4x	11.5x	11.3x
	Chemed Corporation	5,258	5,129	1,700	1,756	255	295	3.1x	3.0x	2.9x	20.6x	17.8x	16.9x
	LHC Group, Inc.	3,005	2,810	1,109	1,844	100	170	2.7x	1.6x	1.4x	30.1x	17.6x	13.5x
	Amedisys, Inc.	2,879	2,911	1,543	1,631	138	162	1.9x	1.8x	1.7x	20.8x	17.8x	16.1x
	Magellan Health, Inc.	2,832	2,322	6,338	7,595	226	372	0.4x	0.4x	0.4x	12.5x	7.6x	7.1x
	The Ensign Group, Inc.	2,117	1,867	1,900	2,016	149	195	1.1x	1.1x	1.0x	14.2x	10.8x	10.1x
	Capital Senior Living Corporation	1,326	332	464	473	85	103	2.9x	2.8x	2.7x	15.6x	12.9x	12.3x
	Civitas Solutions, Inc.	1,312	601	1,541	1,590	151	167	0.9x	0.8x	0.8x	8.7x	7.8x	7.5x
	Addus HomeCare Corporation	640	661	427	519	33	44	1.5x	1.2x	1.1x	19.7x	14.6x	12.6x
AAC Holdings, Inc.	528	230	293	338	44	69	1.8x	1.6x	1.3x	12.0x	7.6x	6.1x	
Provider & Product-Related Services													
Provider & Product-Related Services	CVS Health Corporation	\$88,377	\$65,421	\$185,944	\$188,826	\$12,619	\$12,515	0.5x	0.5x	0.4x	7.0x	7.1x	6.0x
	Walgreens Boots Alliance, Inc.	73,521	59,560	128,244	131,903	8,324	8,919	0.6x	0.6x	0.5x	8.8x	8.2x	7.9x
	Laboratory Corporation of America Holdings	24,801	18,366	10,641	11,467	2,042	2,150	2.3x	2.2x	2.1x	12.1x	11.5x	11.0x
	Cardinal Health, Inc.	22,587	15,171	134,426	135,824	3,222	3,132	0.2x	0.2x	0.2x	7.0x	7.2x	7.6x
	Quest Diagnostics Incorporated	18,894	14,932	7,776	7,724	1,573	1,581	2.4x	2.4x	2.4x	12.0x	12.0x	11.5x
	Rite Aid Corporation	4,861	1,825	21,481	21,742	524	620	0.2x	0.2x	0.2x	9.3x	7.8x	7.4x
	Diplomat Pharmacy, Inc.	2,483	1,893	4,749	5,667	81	168	0.5x	0.4x	0.4x	30.6x	14.8x	13.1x
Specialty Physician Groups Median													
		\$5,960	\$4,045	\$3,525	\$3,711	\$582	\$610	1.7x	1.6x	1.5x	10.2x	9.8x	9.1x
Technology-Enabled Solutions													
		\$1,971	\$1,913	\$750	\$791	\$108	\$136	2.9x	2.7x	2.3x	23.1x	14.4x	13.0x
Behavioral & Post-Acute Care													
		\$2,879	\$2,322	\$1,700	\$1,844	\$151	\$195	1.8x	1.6x	1.4x	12.5x	11.2x	10.6x
Provider & Product-Related Services													
		\$22,587	\$15,171	\$21,481	\$21,742	\$2,042	\$2,150	0.5x	0.5x	0.4x	9.3x	8.2x	7.9x
Group Median													
		\$3,608	\$2,229	\$1,903	\$2,098	\$219	\$374	2.0x	1.7x	1.6x	12.5x	11.3x	10.9x

(\$ in Millions)

Date	Target	Acquirer	Healthcare Subsector	Firm	Firm Value /	
				Value	Revenue	EBITDA
06/28/2018	Beach House Center for Recovery	BelHealth Investment Partners, LLC	Behavioral & Post-Acute Care	-	-	-
06/27/2018	Fairfax OBGYN Associates	Advantia Health	Specialty Physician Groups	-	-	-
06/27/2018	Family First Hospice, Inc./Family First Palliative Home Care, Inc.	Traditions Health Care Holding Company, LLC	Behavioral & Post-Acute Care	-	-	-
06/26/2018	Arrowhead Dermatology	Epiphany Dermatology	Specialty Physician Groups	-	-	-
06/25/2018	NHI Billing Services, Inc.	Centauri Health Solutions, Inc.	Technology-Enabled Solutions	-	-	-
06/21/2018	Care First Pharmacy Services, LLC	HealthDirect Pharmacy Services	Provider & Product-Related Services	-	-	-
06/20/2018	Axiom Medical Consulting, LLC	Serent Capital	Technology-Enabled Solutions	-	-	-
06/19/2018	Zebu Compliance Solutions	United Claim Solutions, LLC	Technology-Enabled Solutions	-	-	-
06/19/2018	Cotiviti Holdings, Inc.	Verscend Technologies, Inc.	Technology-Enabled Solutions	4,929.3	6.7	17.1
06/19/2018	Ovalion Fertility Cincinnati	Institute For Reproductive Health	Specialty Physician Groups	-	-	-
06/18/2018	BetterDoctor, Inc.	Quest Analytics, L.L.C.	Technology-Enabled Solutions	-	-	-
06/13/2018	Women's Health and Surgery Center	Advantia Health	Specialty Physician Groups	-	-	-
06/11/2018	Jobson Healthcare Information LLC	WebMD Health Corp.	Technology-Enabled Solutions	-	-	-
06/11/2018	SHYFT Analytics, Inc.	Medidata Solutions, Inc.	Technology-Enabled Solutions	195.0	-	-
06/11/2018	Advanced Family Dental & Orthodontics, PC	Chicagoland Smile Group	Specialty Physician Groups	-	-	-
06/10/2018	Envision Healthcare Corporation	KKR & Co. L.P. (nka:KKR & Co. Inc.); KKR Americas Fund	Specialty Physician Groups	10,418.6	1.3	10.9
06/06/2018	Iowa Dermatology	Epiphany Dermatology	Specialty Physician Groups	-	-	-
06/06/2018	PT Solutions Holdings, LLC	Lindsay Goldberg LLC	Specialty Physician Groups	-	-	-
06/04/2018	Water's Edge Dermatology, Inc.	Gryphon Investors Inc	Specialty Physician Groups	-	-	-
05/29/2018	HEALTHCAREfirst Inc.	ResMed Inc.	Technology-Enabled Solutions	-	-	-
05/24/2018	Schweiger Dermatology Group, PLLC	LNK Partners	Specialty Physician Groups	-	-	-
05/23/2018	Elite Dental Partners LLC	Cressey & Company, LP	Specialty Physician Groups	-	-	-
05/21/2018	Mindful Dermatology, PLLC	Select Dermatology, LLC	Specialty Physician Groups	-	-	-
05/21/2018	Ophthalmic Consultants of Long Island	Spectrum Vision Partners	Specialty Physician Groups	-	-	-
05/15/2018	Spencer Dermatology Associates, LLC	Pinnacle Dermatology, LLC	Specialty Physician Groups	-	-	-
05/14/2018	Tricity Pain Associates and Interventional Pain Associates	Spindletop Capital	Specialty Physician Groups	-	-	-
05/08/2018	Cape Coral Hospitalists Inc.	Spectrum Medical Partners Inc.	Specialty Physician Groups	-	-	-
05/01/2018	Trinity Dermatology, PA	U.S. Dermatology Partners	Specialty Physician Groups	-	-	-
05/01/2018	Abode Healthcare, Inc.	Tailwind Capital Group, LLC	Behavioral & Post-Acute Care	-	-	-
04/30/2018	Tideway Dermatology	Anne Arundel Dermatology Management	Specialty Physician Groups	-	-	-
04/30/2018	Beatrice Keller Clinic, P.C.	U.S. Dermatology Partners	Specialty Physician Groups	-	-	-
04/30/2018	RedBrick Health Corporation	Marlin Equity Partners, LLC	Technology-Enabled Solutions	-	-	-
04/28/2018	SCIOInspire, Corp.	Exl Service.com, LLC	Technology-Enabled Solutions	236.5	-	-
04/25/2018	Skin & Cancer Associates	Susquehanna Private Capital	Specialty Physician Groups	-	-	-
04/25/2018	United Surgical Partners International Inc.	Tenet Healthcare Corporation	Specialty Physician Groups	4,200.0	-	-
04/25/2018	Medical Specialties Distributors, LLC	McKesson Corporation	Provider & Product-Related Services	800.0	-	-
04/24/2018	Women's Radiology Associates, LLP	Synergy Radiology Associates, P.A.	Specialty Physician Groups	-	-	-
04/23/2018	Curo Health Services, LLC	TPG Capital, L.P.; Welsh, Carson, Anderson & Stowe;	Behavioral & Post-Acute Care	1,400.0	-	-
04/18/2018	Hulin Health, LLC	Shore Capital Partners, LLC; Shore Capital Partners Fund II,	Specialty Physician Groups	-	-	-
04/18/2018	Triplefin LLC	JLL Partners; Water Street Healthcare Partners	Technology-Enabled Solutions	-	-	-
04/13/2018	Center For Autism And Related Disorders, Inc.	The Blackstone Group, Private Equity Group	Behavioral & Post-Acute Care	-	-	-
04/10/2018	Great Lakes Home Health Services, Inc.	National Home Health Care Corp.	Behavioral & Post-Acute Care	-	-	-
04/10/2018	Jordan Health Services, Inc.	Kelso & Company; Blue Wolf Capital Partners LLC	Behavioral & Post-Acute Care	-	-	-
04/10/2018	Family Physicians Group, Inc.	Humana Inc.	Specialty Physician Groups	-	-	-
04/09/2018	Cascade Pathology Services Corp. And Cascade Cytology Reference Laboratories,	Aurora Diagnostics Holdings, LLC	Specialty Physician Groups	-	-	-
04/06/2018	Community Medical Services Holdings, LLC	Clearview Capital, LLC; Clearview Capital Fund III LP	Behavioral & Post-Acute Care	-	-	-
04/05/2018	TLC Management (Delaware Valley) LLC	Omni Eye Services, Inc.	Behavioral & Post-Acute Care	-	-	-
04/03/2018	Radiology Associates of Florida, P.A.	Radiology Partners, Inc.	Specialty Physician Groups	-	-	-
04/02/2018	Children's Urology Associates, P.A.	MEDNAX, Inc.	Specialty Physician Groups	-	-	-
04/01/2018	Delaware Valley Urology, LLC	New Jersey Urology L.L.C.	Behavioral & Post-Acute Care	-	-	-

Recent MHT Partners Healthcare Transactions

The New Jersey assets of
DermOne™
Dermatology

have been acquired by

SCHWEIGER
DERMATOLOGY GROUP

a portfolio company of

LLRpartners

 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

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

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