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Healthcare Services Industry Update Q4 2018

Boston | Dallas | San Francisco

www.mhtpartners.com

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

Q4 2018

Industry Insight

Economic Indicators

Equity Trading Overview

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About MHT Partners

The Pulse

Widespread vertical integration in the healthcare industry is driving the consolidation of some of the space's largest players. 2018 deals such as Cigna's acquisition of Express Scripts and CVS's acquisition of Aetna demonstrate the trend toward combination of insurance providers, pharmacy benefit managers ("PBMs"), urgent-care providers, physician practices and more. Proponents of the movement – namely the consolidators themselves – believe that it will support better coordination of care for consumers, while critics counter that decreased competition will lead to fewer choices and higher costs. Whatever the outcome, vertical integration is sure to shape the healthcare industry for years to come.

CVS Completes its Acquisition of Aetna for \$68B

On November 28th, CVS Health Corporation (NYSE:CVS) announced that it had closed its acquisition of Aetna Inc. (NYSE:AET) for \$68.5B, or \$207 per share. The transaction value equates to about 7.9x Enterprise Value to LTM EBITDA.

Beginning January 1st of this year, by order of the Trump administration, all hospitals in the U.S. are now required to publish master price lists – known as “chargemasters” – detailing all products and services offered to patients. According to the mandate, chargemasters must be readily available on the internet in a machine-readable format. While greater price transparency is a righteous goal, in practice, the pricing information is prohibitively difficult to find and to utilize. The industry must take great strides in pricing data presentation and availability before the information can begin to positively impact affordability and patient care.

What little pricing information is publicly available has thus far been buried, disorganized, and widely variable among organizations, rendering it unusable for the vast majority of consumers. The chargemasters are often hidden in fine print, deep within hospitals’ websites. Once located, the data can be overwhelming and incoherent. As evidenced by chargemasters from the Cleveland Clinic, Cedars-Sinai Medical Center, and Memorial Healthcare System linked below, pricing lists consist of thousands of lines of arcane, often duplicative procedure descriptions and corresponding dollar values. On top of this, data formats vary widely between organizations, restricting the potential for price comparability. Together, these factors make it nearly impossible for customers to navigate and understand the information.

Extracting actionable information from the pricing data will require significant progress by hospital organizations and third parties. For certain procedures, in order for patients to make sense out of what is listed in chargemasters, providers must clearly outline necessary procedures, allowing patients to calculate total projected costs before consenting to care. Further, implementing the ability to search and assemble the required procedures and total costs by CPT code can give patients the ability to shop in advance of a visit to the doctor. Next, industry adoption of a standardized data format can permit third parties to aggregate chargemasters into a combined database, empowering patients to compare hospitals’ prices against each other. Over time, consumers will gain the ability to compare prices between hospitals and make an informed decision on providers based on both cost and quality of care. This new demand elasticity can lead to increased price competition between hospitals and a reduction in listed prices in order to retain and grow patient bases. Finally, incorporating into a chargemaster database the ability to compare CMS reimbursement rates to hospital prices can increase transparency and empower uninsured patients to negotiate outrageous bills.

The new hospital pricing mandate is a step in the right direction for consumers, but we have a long way to go. Ultimately, increasing transparency of hospital billing practices and fostering competition can make healthcare more affordable and can improve the overall health of the population by expanding access to care.

Example Chargemasters:

[Cleveland Clinic](#)

[Cedars-Sinai Medical Center](#)

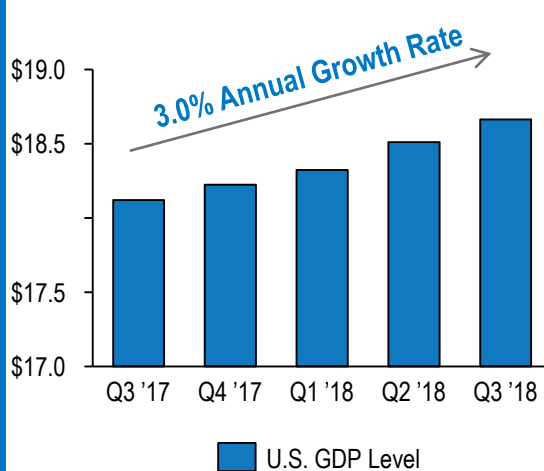
[Memorial Healthcare System](#)

Economic Trends

Key economic indicators for the Healthcare Services industry.

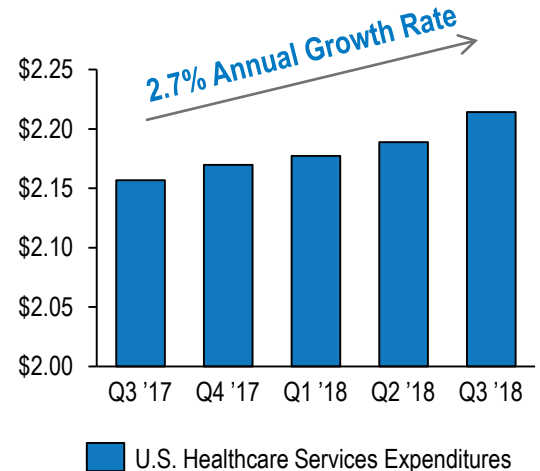
Real¹ U.S. GDP Growth

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



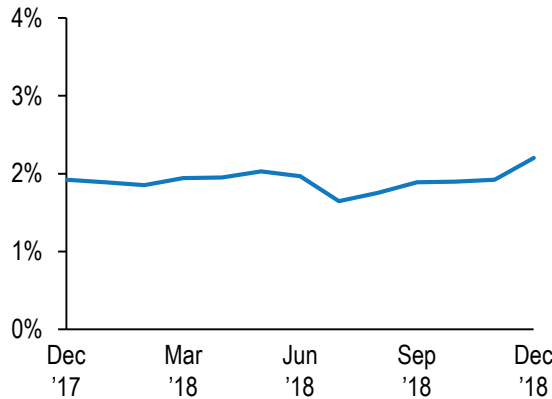
U.S. Healthcare Consumption

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



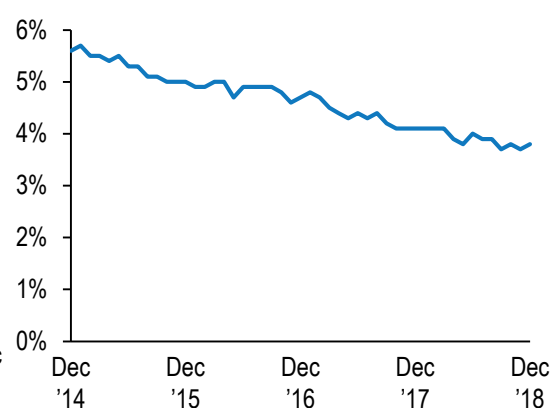
U.S. Healthcare Employment Growth

(Variance to prior year, seasonally adjusted)



U.S. Unemployment Rate

(Seasonally adjusted)

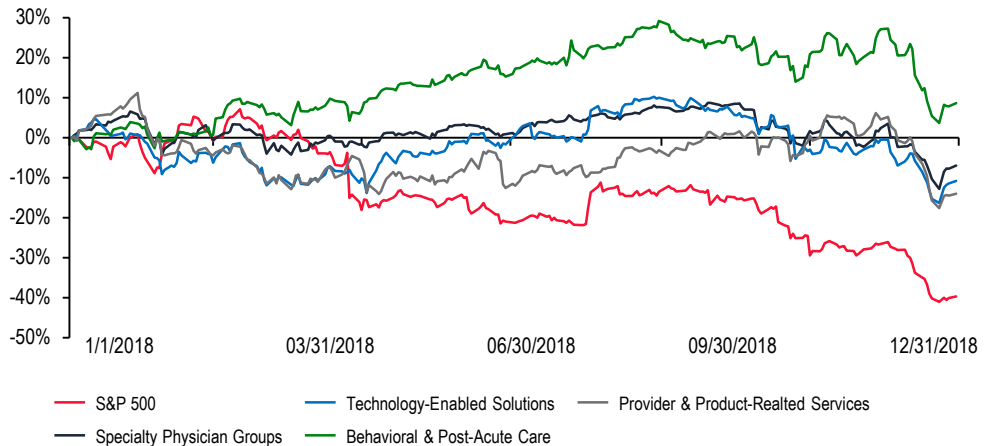


(1) 2012 dollars

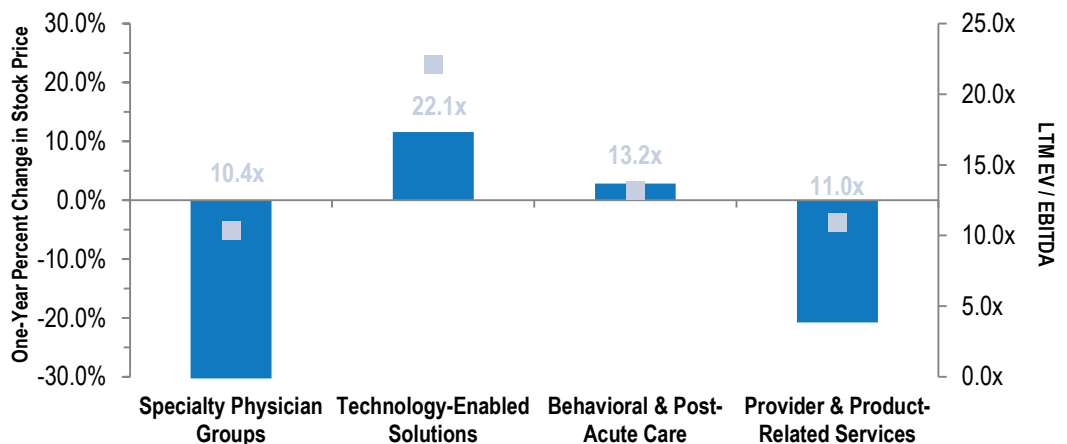
Sources: Bureau of Economic Analysis, Bureau of Labor Statistics

Public Company Sector Performance vs S&P 500

Share Prices Indexed – Market Cap Weights
(1/1/2018 = 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	\$4,875	-38%	-54%	8.7x	0.8x	1.6x	10.4x	1.6x	10.6x
Technology-Enabled Solutions	9	\$2,476	12%	-6%	22.0x	1.5x	3.8x	22.1x	3.4x	14.6x
Behavioral & Post-Acute Care	13	\$3,261	3%	-2%	21.9x	1.6x	1.9x	13.2x	1.8x	12.1x
Provider & Product-Related Services	7	\$18,340	-21%	-33%	11.3x	1.2x	0.5x	11.0x	0.5x	9.3x

Select Company Trading Metrics

Key trading data as of 12/31/2018

(\$ 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.	4,875	2,917	3,625	3,625	576	563	1.3x	1.3x	1.3x	8.5x	8.7x	8.2x
Technology-Enabled Solutions												
Technology-Enabled Solutions												
Cerner Corporation	\$16,906	\$17,278	\$5,213	\$5,393	\$1,256	\$1,572	3.2x	3.1x	2.9x	13.5x	10.8x	9.9x
athenahealth, Inc.	5,387	5,433	1,311	1,346	265	373	4.1x	4.0x	3.7x	20.3x	14.4x	12.6x
Allscripts Healthcare Solutions, Inc.	3,898	1,684	2,079	2,151	90	414	1.9x	1.8x	1.8x	43.1x	9.4x	9.0x
Ornicell, Inc.	2,567	2,427	775	791	77	126	3.3x	3.2x	2.9x	33.3x	20.4x	16.6x
Premier, Inc.	2,345	2,380	1,672	1,701	722	563	1.4x	1.4x	1.3x	3.2x	4.2x	3.9x
HMS Holdings Corp.	2,476	2,360	591	598	123	154	4.2x	4.1x	3.8x	20.2x	16.1x	14.8x
Evolent Health, Inc.	1,473	1,563	548	627	(10)	24	2.7x	2.4x	1.7x	NM	61.7x	23.9x
NextGen Healthcare, Inc.	991	980	531	530	37	84	1.9x	1.9x	1.8x	26.4x	11.8x	10.8x
Computer Programs and Systems, Inc.	474	341	286	282	35	45	1.7x	1.7x	1.6x	13.7x	10.5x	9.3x
Behavioral & Post-Acute Care												
Behavioral & Post-Acute Care												
Universal Health Services, Inc.	\$14,802	\$10,783	\$10,661	\$10,751	\$1,703	\$1,758	1.4x	1.4x	1.3x	8.7x	8.4x	8.1x
Encompass Health Corporation	9,090	6,104	4,195	4,274	881	890	2.2x	2.1x	2.0x	10.3x	10.2x	9.7x
Acadia Healthcare Company, Inc.	5,464	2,269	2,993	3,015	589	606	1.8x	1.8x	1.7x	9.3x	9.0x	8.5x
Brookdale Senior Living Inc.	5,757	1,258	3,622	4,532	570	536	1.6x	1.3x	1.3x	10.1x	10.7x	11.5x
Chemed Corporation	4,599	4,536	1,753	1,786	266	305	2.6x	2.6x	2.4x	17.3x	15.1x	14.4x
LHC Group, Inc.	3,261	2,945	1,591	1,822	133	170	2.0x	1.8x	1.5x	24.4x	19.2x	14.6x
Amedys, Inc.	3,778	3,734	1,624	1,657	164	178	2.3x	2.3x	2.1x	23.0x	21.2x	19.1x
Magellan Health, Inc.	1,946	1,380	7,164	7,355	233	298	0.3x	0.3x	0.3x	8.4x	6.5x	7.0x
The Ensign Group, Inc.	2,238	2,027	1,991	2,011	169	194	1.1x	1.1x	1.0x	13.3x	11.5x	10.2x
Capital Senior Living Corporation	1,197	213	460	461	74	93	2.6x	2.6x	2.6x	16.2x	12.9x	13.1x
Civitas Solutions, Inc.	1,331	635	1,602	1,679	164	180	0.8x	0.8x	0.8x	8.1x	7.4x	7.1x
Addus HomeCare Corporation	811	857	488	518	37	43	1.7x	1.6x	1.4x	21.7x	18.7x	15.1x
AAC Holdings, Inc.	339	34	317	325	31	52	1.1x	1.0x	0.9x	10.8x	6.5x	4.9x
Provider & Product-Related Services												
Provider & Product-Related Services												
CVS Health Corporation	\$105,928	\$84,730	\$188,055	\$192,499	\$12,662	\$12,845	0.6x	0.6x	0.4x	8.4x	8.2x	5.8x
Walgreens Boots Alliance, Inc.	80,132	64,466	134,590	137,492	7,876	9,324	0.6x	0.6x	0.6x	10.2x	8.6x	8.2x
Laboratory Corporation of America Holdings	18,340	12,750	11,189	11,325	2,069	2,027	1.6x	1.6x	1.6x	8.9x	9.0x	9.1x
Cardinal Health, Inc.	20,244	13,288	139,381	141,800	2,947	2,750	0.1x	0.1x	0.1x	6.9x	7.4x	7.1x
Quest Diagnostics Incorporated	15,022	11,331	7,864	7,571	1,574	1,529	1.9x	2.0x	1.9x	9.5x	9.8x	9.6x
Rite Aid Corporation	3,773	746	21,654	21,814	546	561	0.2x	0.2x	0.2x	6.9x	6.7x	6.6x
Diplomat Pharmacy, Inc.	1,624	1,002	5,287	5,543	107	168	0.3x	0.3x	0.3x	15.2x	9.7x	9.6x
Specialty Physician Groups Median												
Specialty Physician Groups Median	\$4,875	\$2,917	\$3,625	\$3,625	\$576	\$563	1.3x	1.3x	1.3x	8.5x	8.7x	8.2x
Technology-Enabled Solutions												
Technology-Enabled Solutions	\$2,476	\$2,360	\$775	\$791	\$90	\$154	2.7x	2.4x	1.8x	20.3x	11.8x	10.8x
Behavioral & Post-Acute Care												
Behavioral & Post-Acute Care	\$3,261	\$2,027	\$1,753	\$1,822	\$169	\$194	1.7x	1.6x	1.4x	10.8x	10.7x	10.2x
Provider & Product-Related Services												
Provider & Product-Related Services	\$18,340	\$12,750	\$21,654	\$21,814	\$2,069	\$2,027	0.6x	0.6x	0.4x	8.9x	8.6x	8.2x
Group Median												
Group Median	\$3,775	\$2,370	\$2,035	\$2,081	\$249	\$339	1.7x	1.6x	1.6x	10.8x	10.0x	9.6x

(\$ in Millions)

Date	Target	Acquirer	Healthcare Subsector	Firm Value	Revenue	Firm Value / EBITDA
12/20/2018	Psychiatric Medical Care, LLC	Consonance Capital Partners	Specialty Physician Groups	-	-	-
12/19/2018	Behavioral Health Group, Inc.	The Vistria Group, LLC	Behavioral & Post-Acute Care	-	-	-
12/19/2018	Odyssey Behavioral Healthcare LLC	The Carlyle Group	Behavioral & Post-Acute Care	200.0	-	9.0
12/18/2018	Assets of PokiDok, Inc.	Change Healthcare Corporation	Technology-Enabled Solutions	-	-	-
12/18/2018	Civitas Solutions, Inc.	Centerbridge Partners, L.P.	Behavioral & Post-Acute Care	1,364.0	0.9	8.3
12/18/2018	CRH Healthcare, LLC	Freeman Spogli & Co. Incorporated	Specialty Physician Groups	-	-	-
12/18/2018	US BioTek Laboratories, Inc.	Pike Street Capital LLC	Provider & Product Related Services	-	-	-
12/17/2018	Atlanta Gastroenterology Partners	Frazier Healthcare Partners	Specialty Physician Groups	-	-	-
12/14/2018	Consolto Services Group, LLC	Mediware Information Systems, Inc.	Technology-Enabled Solutions	-	-	-
12/13/2018	NextCare Holdings Inc.	FastMed Urgent Care, P.C.	Specialty Physician Groups	-	-	-
12/12/2018	PHOENIX Rehabilitation and Health Services, Inc.	Audax Group, Inc.	Behavioral & Post-Acute Care	-	-	-
12/11/2018	Central Ohio Urology Group, Inc.	New MainStream Capital	Specialty Physician Groups	-	-	-
12/11/2018	Fully Managed Inc. (nka:CareWorx Fully Managed)	CareWorx Inc.	Technology-Enabled Solutions	-	-	-
12/07/2018	Foot & Ankle Specialists of the Mid-Atlantic	NMS Capital Partners	Specialty Physician Groups	-	-	-
12/05/2018	Women's Health & Wellness, LLC	Women's Care Florida, LLC	Specialty Physician Groups	-	-	-
12/03/2018	Rock Creek Dermatology and Skin Care Center LLC	AAD Dermatology Management, LLC	Specialty Physician Groups	-	-	-
11/28/2018	Florida Spine And Joint Institute, LLC	Trive Capital	Specialty Physician Groups	-	-	-
11/27/2018	InSight Telepsychiatry, LLC	Harbour Point Capital	Specialty Physician Groups	-	-	-
11/27/2018	Polyclinic Management Services Company, LLC	Optum, Inc.	Specialty Physician Groups	-	-	-
11/27/2018	Viverae, Inc.	Virgin Pulse, Inc.	Technology-Enabled Solutions	-	-	-
11/26/2018	Medelligence, LLC	US HealthConnect, Inc.	Technology-Enabled Solutions	-	-	-
11/20/2018	E H C Medical Offices, PLLC	Crossroads Holding, LLC	Behavioral & Post-Acute Care	-	-	-
11/19/2018	ChoiceSpine, LP	Allus Capital Partners	Provider & Product Related Services	-	-	-
11/19/2018	DJO Global Inc.	Colfax Corporation	Provider & Product Related Services	3,150.0	2.7	-
11/19/2018	Georgia Eye Associates, P.C.	Eyesouth Partners, LLC	Specialty Physician Groups	-	-	-
11/19/2018	Pinelands Recovery Center of Medford	Discovery Behavioral Health	Behavioral & Post-Acute Care	-	-	-
11/16/2018	ABA of North Texas, LLC	The Family Treatment Network Inc	Behavioral & Post-Acute Care	-	-	-
11/14/2018	Roseland Management, LLC	Capital Southwest Corporation; Bow River Capital Partners;	Specialty Physician Groups	-	-	-
11/14/2018	Traditions Behavioral Health	Windrose Health Investors, LLC	Behavioral & Post-Acute Care	-	-	-
11/13/2018	Progressive Medical Associates, PLLC	American Physician Partners, LLC	Specialty Physician Groups	-	-	-
11/12/2018	Neuro Motor Innovations Corporation	MindMaze SA	Technology-Enabled Solutions	-	-	-
11/09/2018	Cab Research Ltd.	JLL Partners; Water Street Healthcare Partners	Provider & Product Related Services	-	-	-
11/08/2018	Family Home Care Corp.	Family Resource Home Care Inc.	Behavioral & Post-Acute Care	-	-	-
11/07/2018	HealthLoop, Inc.	GetWellNetwork, Inc.	Technology-Enabled Solutions	-	-	-
11/07/2018	Texas Digestive Disease Consultants, PLLC	Waud Capital Partners, L.L.C.	Specialty Physician Groups	-	-	-
11/06/2018	J&H MEDSOFT, LLC	Medici Technologies, LLC	Technology-Enabled Solutions	-	-	-
11/06/2018	Medical Networking, Inc.	Michael J. Hennessy Associates, Inc.	Technology-Enabled Solutions	-	-	-
11/06/2018	Stanson Health, Inc.	Premier Healthcare Solutions, Inc.	Technology-Enabled Solutions	66.5	-	-
11/06/2018	Updegraff Laser Vision, LLC	Eye Health America	Specialty Physician Groups	-	-	-
11/05/2018	Ignition Group	Zelis Healthcare Corp	Technology-Enabled Solutions	-	-	-
11/05/2018	MatrixCare, Inc.	ResMed Operations Inc.	Technology-Enabled Solutions	750.0	-	-
11/05/2018	Mission Treatment Services, Inc.	Acadia Healthcare Company, Inc.	Behavioral & Post-Acute Care	-	-	-
11/05/2018	Treatment Partners of America LLC	Florida House Experience, Inc.	Behavioral & Post-Acute Care	-	-	-
11/05/2018	Whittier Health Services, Inc.	Acadia Healthcare Company, Inc.	Behavioral & Post-Acute Care	-	-	-
11/02/2018	BioAglytix Labs, LLC	Cobepa S.A.	Provider & Product Related Services	-	-	-
11/02/2018	Maryland Dermatology Laser, Skin, & Vein Institute, LLC.	AAD Dermatology Management, LLC	Specialty Physician Groups	-	-	-
11/01/2018	Premier Care, INC/Maintenance And Recovery Services	Community Medical Services Holdings, LLC	Behavioral & Post-Acute Care	-	-	-
11/01/2018	SpecialCare Hospital Management Corp.	BayMark Health Services Inc.	Behavioral & Post-Acute Care	-	-	-
10/31/2018	Assets of ABT Molecular Imaging, Inc.	Best Medical International, Inc.; Best Cyclotron Systems, Inc.	Behavioral & Post-Acute Care	-	-	-
10/31/2018	RevMD Partners, LLC	Pine Tree Equity	Technology-Enabled Solutions	-	-	-
10/30/2018	Charter Health Care Group, LLC	Pharos Capital Group, LLC; Pharos Capital Partners III, L.P.;	Behavioral & Post-Acute Care	-	-	-
10/29/2018	Direct Urgent Care, Inc.	Carbon Health Medical Group, Inc.	Specialty Physician Groups	-	-	-
10/25/2018	Adcon Behavior Centers LLC	NexPhase Capital, LP	Behavioral & Post-Acute Care	-	-	-
10/25/2018	Outreach Laboratory Services Operations of Marin General Hospital	Quest Diagnostics Incorporated	Provider & Product Related Services	-	-	-
10/25/2018	Preventive Technology Solutions, Inc.	Collaborative Network 4 Clinical Excellence, LLC	Technology-Enabled Solutions	-	-	-
10/23/2018	Genoptix, Inc.	NeoGenomics Laboratories, Inc.	Provider & Product Related Services	139.0	-	-
10/23/2018	Global Healthcare Alliance, Inc.	Cedar Gate Technologies, LLC	Technology-Enabled Solutions	-	-	-
10/23/2018	Vendor Credentialing Service LLC	Clearlake Capital Group, L.P.	Technology-Enabled Solutions	550.0	-	-
10/22/2018	Outreach Laboratory Services Operation in Central Michigan of Hurley Medical Center,	Quest Diagnostics Incorporated	Provider & Product Related Services	-	-	-
10/22/2018	Relina Physicians & Surgeons of Dayton	CEI Vision Partners, LLC	Specialty Physician Groups	-	-	-
10/19/2018	Pathways Health and Community Support, LLC	Alar Capital LLC	Behavioral & Post-Acute Care	-	-	-
10/18/2018	Relina Associates, Southwest, P.C.	The Relina Group of Washington	Specialty Physician Groups	-	-	-
10/16/2018	Keela	The Flex Company	Provider & Product Related Services	-	-	-
10/16/2018	Regenerative Medical Technologies, Inc.	Predictive Technology Group, Inc.	Provider & Product Related Services	-	-	-
10/10/2018	South Dade Neonatology LLC	MEDNAX, Inc.	Specialty Physician Groups	-	-	-
10/09/2018	Compassionate Care Hospice Group, Inc.	Amedisys Hospice, L.L.C.	Behavioral & Post-Acute Care	340.0	1.8	12.6
10/09/2018	LivHOME, Inc./Arosa LLC	Bain Capital Private Equity, LP; Bain Capital Double Impact	Behavioral & Post-Acute Care	-	-	-
10/09/2018	San Antonio IVF laboratory of Texas Fertility Center	Ovation Fertility	Specialty Physician Groups	-	-	-
10/03/2018	ION, LLC	Silver Oak Services Partners, LLC; Silver Oak Services	Specialty Physician Groups	-	-	-
10/03/2018	Soderstrom Dermatology Center, SC	Pinnacle Dermatology, LLC	Specialty Physician Groups	-	-	-
10/02/2018	Ideal Option PLLC	Varsity Healthcare Partners	Behavioral & Post-Acute Care	-	-	-
10/02/2018	M&H Med Housecalls, LLC	Spectrum Medical Partners Inc.	Behavioral & Post-Acute Care	-	-	-
10/02/2018	Radiology Specialists, LTD	MEDNAX, Inc.	Specialty Physician Groups	-	-	-
10/01/2018	Memorial Hermann Healthcare System, Inc.	Baylor Scott & White Holdings	Provider & Product Related Services	-	-	-
10/01/2018	The Shape of Behavior, Inc.	Blue Sprig Pediatrics, Inc.	Behavioral & Post-Acute Care	-	-	-

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

 Tampa Bay Emergency Physicians

has formed a partnership with

 US Acute Care Solutions

a portfolio company of

 WCAS
WELSH, CARSON, ANDERSON & STONE

The New Jersey assets of

 DermOne Dermatology

have been acquired by

 SCHWEIGER DERMATOLOGY GROUP

a portfolio company of

 LLRpartners

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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