

Healthcare Services M&A Market Update



Q2 2016

Mergers & Acquisitions
Business Valuation



Notable M&A Activity

6/3/16 - Shire plc (LSE:SHP) acquired Baxalta Incorporated (NYSE:BXLT) from Baxter International Inc. (NYSE:BAX) and others for \$32 billion. Baxalta, a biopharmaceutical company, develops, manufactures and markets a portfolio of products primarily for the treatment of hemophilia, immunology and oncology worldwide.

6/1/16 - Veritas Capital acquired Verisk Health, Inc. and MediConnect Global, Inc. from Argus Information & Advisory Services, LLC for \$820 million. Verisk Health operates as a healthcare information technology company that provides healthcare analytics solutions.

5/16/16 - Welsh, Carson, Anderson & Stowe acquired InnovAge Home Care for approximately \$190 million in cash. InnovAge Home Care provides in-home senior care services.

5/13/16 - DiaSorin S.p.A. (BIT:DIA) acquired Focus Diagnostics, Inc. from Quest Diagnostics Inc. (NYSE:DGX) for \$300 million in cash. Focus Diagnostics manufactures and distributes molecular and immunology products to hospitals and commercial laboratories worldwide.

5/3/16 - Nordic Capital and Novo A/S acquired eResearchTechnology, Inc. from Genstar Capital, LLC for \$1.8 billion. eResearchTechnology provides patient safety and efficacy endpoint data collection solutions for use in clinical drug development and clinical research needs.

5/2/16 - Press Ganey Holdings, Inc. (NYSE:PGND) acquired Avatar Solutions Inc. for \$17.1 million. Avatar Solutions provides survey, data measurement and performance improvement services to hospitals, clinicians and healthcare systems.

4/19/16 - GI Partners, LLC and Allscripts Healthcare Solutions, Inc. (NasdaqGS:MDRX) acquired Netsmart Technologies Inc. from Genstar Capital Partners V, L.P. of Genstar Capital, LLC and Salmon River Capital LLC for \$950 million. Netsmart Technologies is a healthcare information technology company specializing in electronic health records and software and technology solutions.

4/7/16 - IBM Watson Health acquired Truven Holding Corp. from Veritas Capital Fund III, L.P., Veritas Capital Fund IV, L.P. managed by Veritas Capital for \$2.6 billion in cash. Truven Holding Corp. provides analytic solutions and services for the healthcare industry.

4/1/16 - Gentherm Incorporated (NasdaqGS:THRM) acquired Cincinnati Sub-Zero Products, Inc. for \$65 million in cash. Cincinnati Sub-Zero Products through its subsidiaries, designs, develops and markets temperature management equipment for medical and industrial industries in the United States and internationally.

Capital Markets

	% Change			
	Q4 2015	Q1 2016	Q2 2016	YTD
Healthcare Medical Devices	6.0%	8.1%	6.8%	16.6%
Healthcare IT	3.8%	(15.5%)	8.5%	(7.5%)
Healthcare Services	(6.4%)	5.8%	4.9%	11.6%
Medical Laboratory Services	13.0%	(2.3%)	9.5%	8.3%
S&P 500	4.6%	2.3%	0.6%	3.6%
Healthcare Medical Devices: NYSE:JNJ, NYSE:MDT, NYSE:SYK, LSE:SN., NYSE:ZBH				
Healthcare IT: NYSE:MCK, NYSE:IMS, NasdaqGS:MDRX, NasdaqGS:CERN, NasdaqGS:ATHN				
Healthcare Services: NYSE:KND, NYSE:FVE, NYSE:HLS, NasdaqGS:ENSG, NYSE:UHS				
Medical Laboratory Services: NasdaqGM:AIQ, NYSE:LH, NYSE:DGX, NasdaqCM:PMD, NasdaqGM:RDNT				



acquired



Completed

June 3, 2016

Notes

According to the agreement, “Baxalta shareholders will receive \$18.00 in cash and 0.1482 Shire ADS per Baxalta share. Based on Shire’s closing ADS price on January 8, 2016, this implies a total current value of \$45.57 per Baxalta share, representing an aggregate consideration of approximately \$32 billion. The exchange ratio is based on Shire’s 30-day trading day volume weighted average ADS price of \$199.03 as of January 8, 2016, which implies a total value of \$47.50 per Baxalta share.”



acquired



Completed

June 1, 2016

Notes

The purchase price consists of \$720 million of cash consideration, a \$100 million long-term subordinated promissory note with interest paid in kind, and other contingent consideration. Upon closing, Verisk Health will be renamed and will operate as an independent company at its current headquarters in Waltham, MA. The buy side termination fee is \$57.4 million.



acquired



Completed

May 13, 2016

Notes

Under the terms of the purchase agreement, DiaSorin will pay to Quest Diagnostics \$300 million in cash for all the tangible and intangible assets of Focus used by the Company to develop, manufacture and distribute its molecular diagnostic products and its traditional immunoassay ELISA products, including among other relevant intellectual property, contracts and customer list. The deal does not include Quest’s diagnostic information service laboratories currently operating under the Focus Diagnostics brand. Those labs will continue to be based in San Juan Capistrano, CA, as part of Quest.

NORDIC CAPITAL
and **NOVO**

acquired



Completed

May 3, 2016

Notes

Originally announced on March 8, 2016 Nordic Capital Fund VIII LP managed by Nordic Capital and Novo A/S entered into a definitive agreement to acquire eResearchTechnology, Inc. from Genstar Capital, LLC and others. ResearchTechnology recorded revenues in excess of \$300 million. The transaction was subject to customary approvals by the relevant authorities and on April 1, 2016, the deal was given early termination of waiting period under HSR Act.



acquired



Completed

May 2, 2016

Notes

Press Ganey Holdings, Inc. (NYSE:PGND) acquired Avatar Solutions Inc. for \$17.1 million. The deal value is subject to certain post-closing adjustments. Press Ganey expects the acquisition of Avatar to contribute revenue of \$6 million to \$7 million in 2016 and have no material impact on adjusted EBITDA in 2016.



acquired



Completed

April 19, 2016

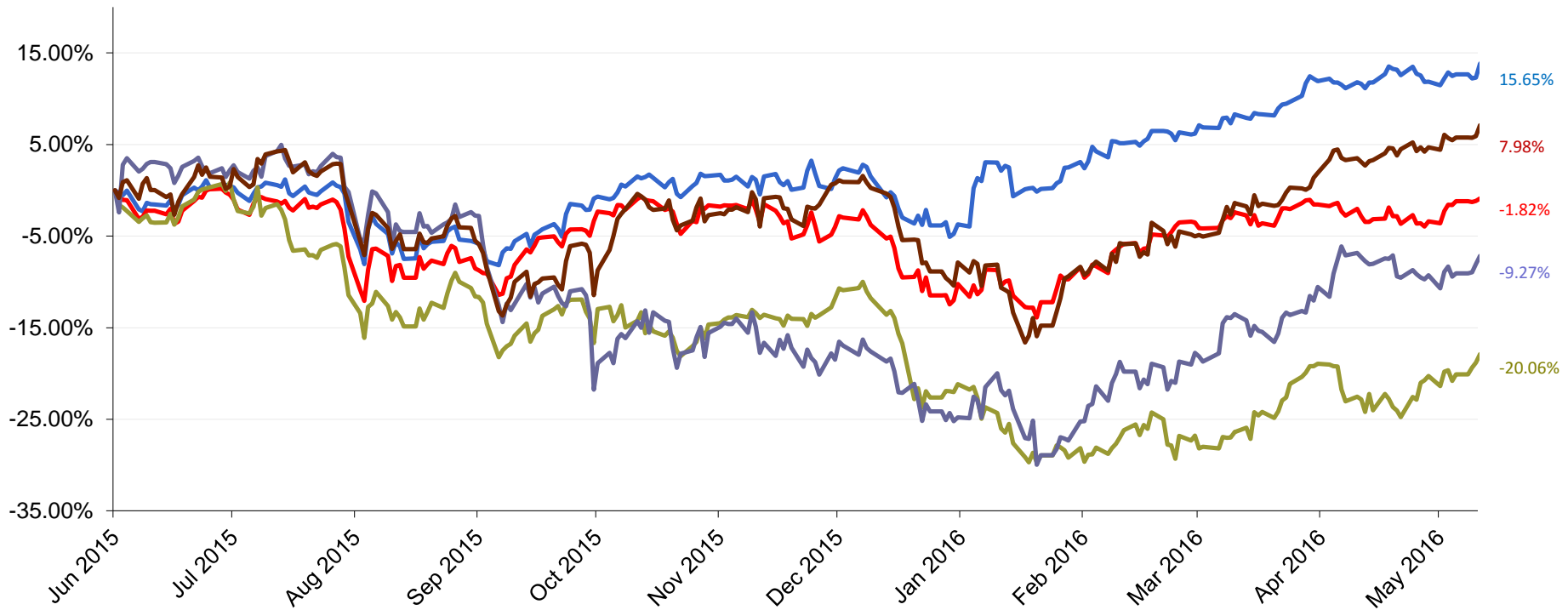
Notes

Chicago-based Allscripts and private equity firm GI Partners, in San Francisco, each acquired stakes from Genstar Capital, another San Francisco-based private equity firm, for a combined \$950 million.

Allscripts invested \$70 million in cash and merged its home-care software business into the new joint venture, which will create a company with annual income of \$60 million on revenue of \$250 million, according to Allscripts. Valentine will remain CEO of the new company, which will merge Allscripts' 30,000 customers with 23,000 Netsmart's clients.

Capital Markets: Last 52 Weeks' Index Performances

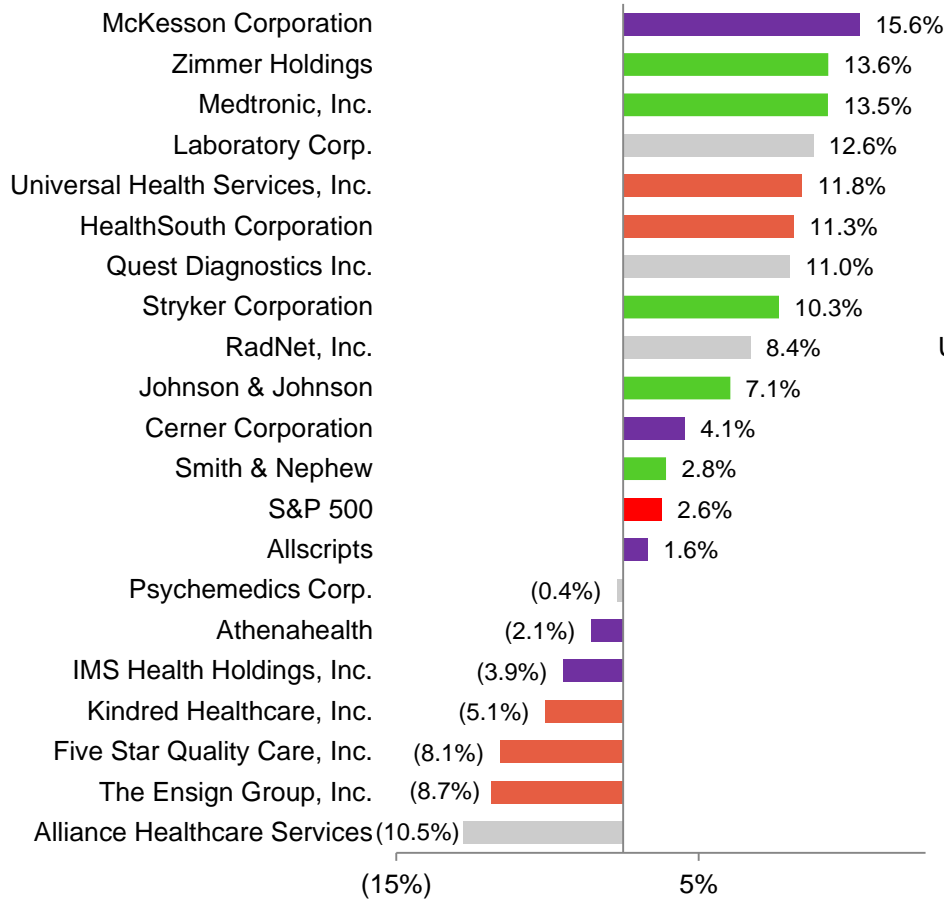
Q2 2016



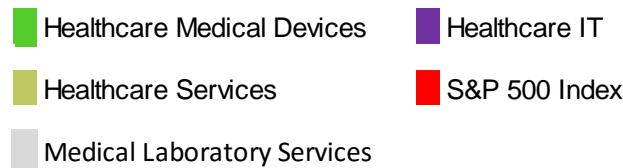
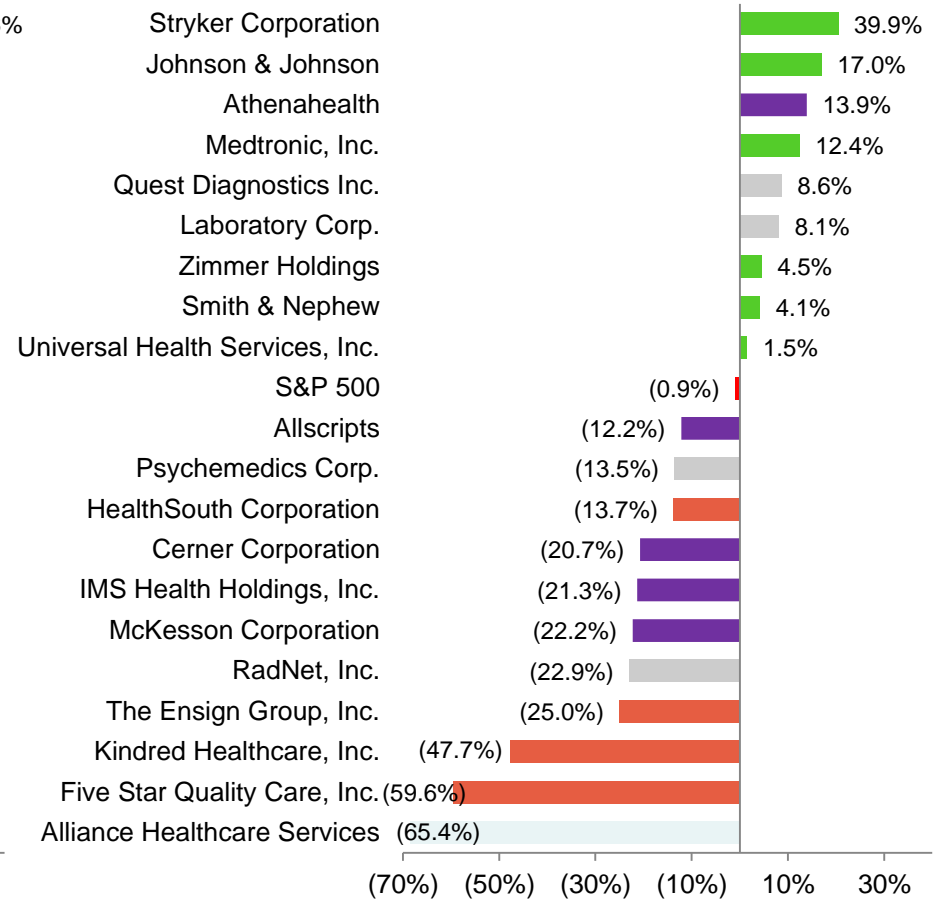
— Medical Devices: JNJ, MDT, SYK, SN., ZBH	— S&P 500 (^SPX) - Index Value
— Healthcare IT: MCK, IMS, MDRX, CERN, ATHN	— Healthcare Services: KND, FVE, HLS, ENSG, UHS
— Medical Laboratory: AIQ, LH, DGX, PMD, RDNT	

	% Change			
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Last Three Months

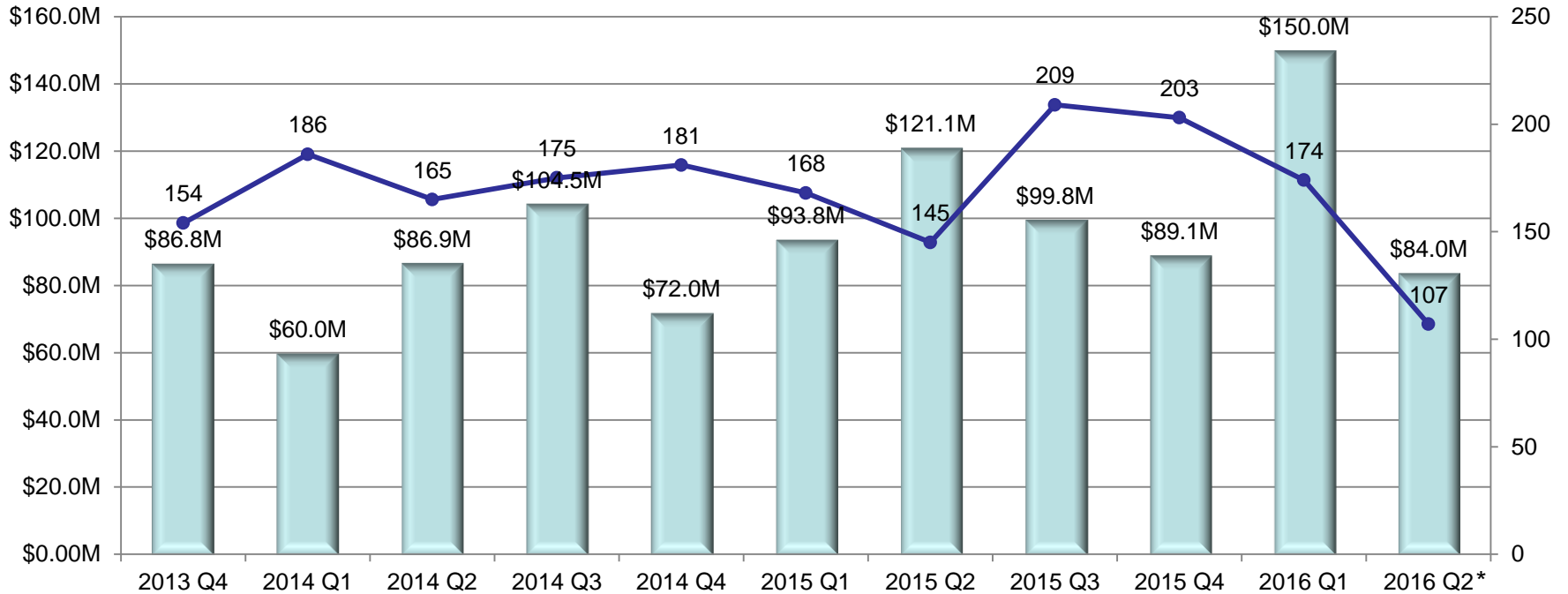


Last 52 Weeks



Private Equity Buyouts In Healthcare With Median Deal Size & Deal Count

Q2 2016

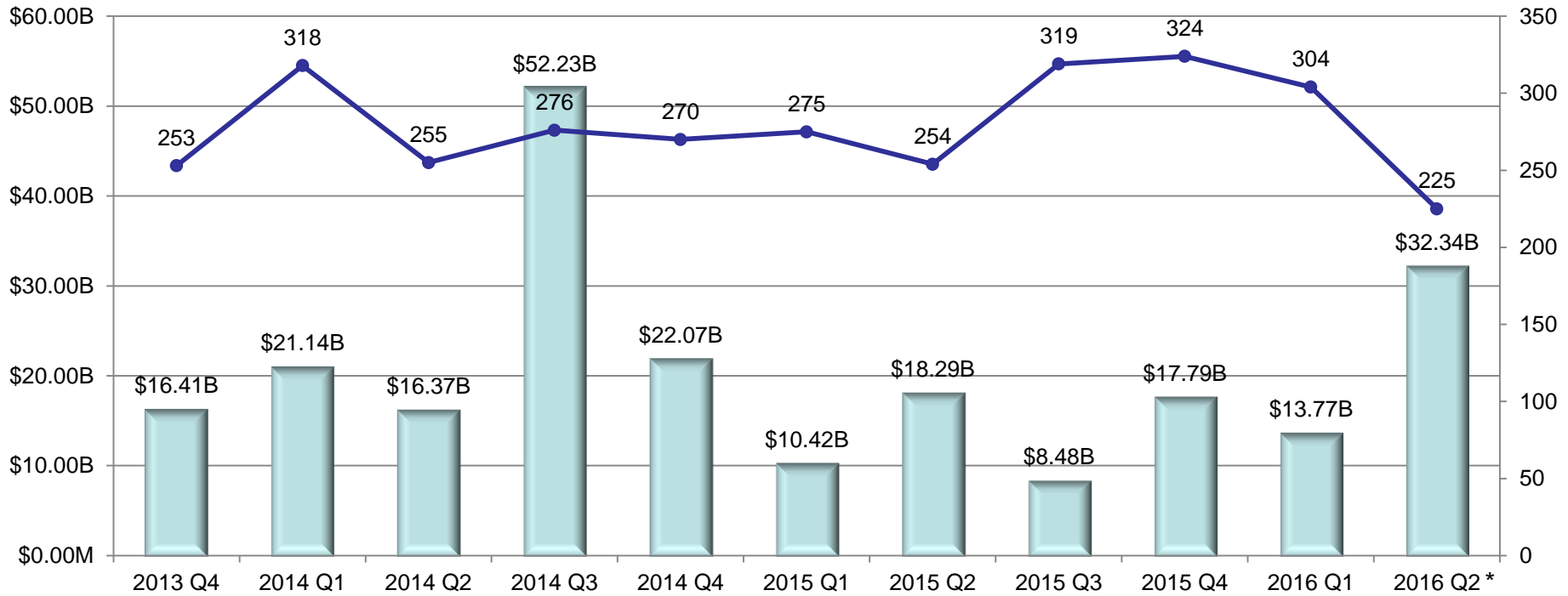


Median Deal Size Deal Count

Time Period	Median Deal Size	Deal Count
2013 Q4	\$86.8M	154
2014 Q1	\$60.0M	186
2014 Q2	\$86.9M	165
2014 Q3	\$104.5M	175
2014 Q4	\$72.0M	181
2015 Q1	\$93.8M	168
2015 Q2	\$121.1M	145
2015 Q3	\$99.8M	209
2015 Q4	\$89.1M	203
2016 Q1	\$150.0M	174
2016 Q2	\$84.0M	107

Overall Private Equity Investments In Healthcare Companies By Quarter




Q2 2016






■ Total Capital Invested
 ● Deal Count

Time Period	Invested	Deal Count
2013 Q4	\$16.41B	253
2014 Q1	\$21.14B	318
2014 Q2	\$16.37B	255
2014 Q3	\$52.23B	276
2014 Q4	\$22.07B	270
2015 Q1	\$10.42B	275
2015 Q2	\$18.29B	254
2015 Q3	\$8.48B	319
2015 Q4	\$17.79B	324
2016 Q1	\$13.77B	304
2016 Q2	\$32.34B	225

Top 3 Overperformers

Company	March 24, 2016	June 22, 2016		Three Month Change
 MCKESSON	\$157.29	\$181.53	↑	15.4%
 UHS	\$117.91	\$134.84	↑	14.4%
 ZIMMER	\$103.74	\$118.63	↑	14.4%

Top 3 Underperformers






Company	March 24, 2016	June 22, 2016		Three Month Change
 FIVESTAR QUALITY CARE	\$2.09	\$1.82	↓	-12.9%
 athenahealth	\$7.02	\$6.23	↓	-11.3%
 ENSIGN GROUP	\$21.58	\$19.90	↓	-7.8%

Company Liquidity Estimates by Subsector






Q2 2016

(\$ millions)

Healthcare Medical Devices Index

					
3x LTM EBITDA	\$66,705.0	\$26,703.0	\$8,151.0	\$3,564.0	\$7,894.5
Less LT Debt	23,559.0	31,240.0	7,476.0	1,480.0	11,117.4
Plus Cash	13,861.0	2,876.0	6,976.0	120.0	996.8
Dry Powder	\$57,007.0	-\$1,661.0	\$7,651.0	\$2,204.0	-\$2,226.1

Healthcare Information Technology Index






					
3x LTM EBITDA	\$13,866.0	\$2,229.0	\$374.2	\$3,758.6	\$226.8
Less LT Debt	8,162.0	4,551.0	599.8	595.4	298.2
Plus Cash	4,048.0	378.0	100.1	295.6	100.6
Dry Powder	\$9,752.0	-\$1,944.0	-\$125.5	\$3,458.7	\$29.1

Company Liquidity Estimates by Subsector






Q2 2016

(\$ millions)

Medical Laboratory Services

					
3x LTM EBITDA	\$349.5	\$5,216.4	\$4,443.0	\$7.4	\$325.7
Less LT Debt	551.2	6,394.9	3,898.0	6.1	647.9
Plus Cash	42.7	696.3	128.0	2.0	0.4
Dry Powder	-\$159.0	-\$482.2	\$673.0	\$3.3	-\$321.8

Healthcare Services Index

					
3x LTM EBITDA	\$1,722.1	\$94.5	\$2,234.1	\$366.2	\$5,077.0
Less LT Debt	3,394.3	121.8	3,116.2	146.3	3,289.4
Plus Cash	105.1	12.3	73.2	51.4	54.6
Dry Powder	-\$1,567.1	-\$14.9	-\$808.9	\$271.3	\$1,842.2

As a core competency and complement to our M&A practice, The McLean Group provides formal business valuation services for a variety of transaction, financial reporting, litigation, and tax purposes.

Financial Reporting

- Purchase price allocations (ASC 805)
- Goodwill impairment tests (ASC 350)
- Analysis of long-lived assets (ASC 360)
- Stock option expense (ASC 718)
- Fresh start accounting (ASC 852)

Equity Incentive Plans & Tax Compliance

- Employee Stock Ownership Plans (ESOPs)
- Private company equity incentive plans
- Section 409A valuations
- S corporation conversions
- Estate and gift tax valuations

Litigation Support

- Dissenting/oppressed shareholders
- Lost profits and lost asset values
- Wrongful death and personal injury
- Buy/sell agreements and dispute resolution

Transaction Advisory

- Fairness opinions
- Valuation due diligence
- Business modeling and forecasting
- Exit planning



Founded in 1997, The McLean Group is a national, middle market investment bank with deep expertise in a variety of industry verticals. Headquartered in McLean, VA, The McLean Group is among the largest independent middle market investment banks in the region. Our core advisory services include:

Mergers & Acquisitions

The McLean Group uses its considerable experience and expertise in the healthcare industry to guide its clients through each stage of the mergers & acquisitions (M&A) process and ultimately identify the most probable and suitable candidates to complete transactions under the most favorable terms.

Strategic Consulting

The McLean Group's Strategic Consulting business provides transaction, financial and interim management services to companies ranging from start-up entities to publicly-held corporations across an assortment of industries.

Corporate Finance

The McLean Group arranges private equity, venture capital, senior debt and subordinated debt to support clients' expansions, M&A, refinancings, recapitalizations, leveraged buyouts and other shareholder liquidity objectives.

McLean Securities, a wholly-owned affiliate of The McLean Group, is a registered broker/dealer with the Financial Industry Regulatory Authority (FINRA) and a Member, Securities Investor Protection Corporation (SIPC).



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In-Home Senior Care

As M&A Advisors 



Market Intelligence and Acquisition Support

Pharmaceuticals

McLean, Markowitz & McNaughton 



Market Intelligence and Acquisition Support

Healthcare Services


McLean, Markowitz & McNaughton 



Market Intelligence and Acquisition Support


Pharmaceuticals

McLean, Markowitz & McNaughton 



Market Intelligence and Acquisition Support

Specialty Pharmacy


McLean, Markowitz & McNaughton 



Market Intelligence and Acquisition Support


Healthcare Services

McLean, Markowitz & McNaughton 



Market Intelligence and Acquisition Support

Pharmaceuticals


McLean, Markowitz & McNaughton 



Market Intelligence and Acquisition Support


Healthcare IT

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Market Intelligence and Acquisition Support

Healthcare Products

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Market Intelligence and Acquisition Support

Biotechnology

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Market Intelligence and Acquisition Support

Medical Products

McLean, Markowitz & McNaughton 



Market Intelligence and Acquisition Support

Medical Devices

McLean, Markowitz & McNaughton 



Market Intelligence and Acquisition Support

Healthcare Services

McLean, Markowitz & McNaughton 



Market Intelligence and Acquisition Support

Medical Products

McLean, Markowitz & McNaughton 

CBay Systems
WORLDCLASS ADVANTAGE

has acquired

Emergency Dictation Services, Inc.

Purchase Price Allocation
Medical Transcription & Receivables Management Services

As Business Valuators & Financial Advisors 

cognosante
minds on health

Business Valuation
Government Contracting Health IT Services

As Business Valuators & Financial Advisors 


Conmed HEALTHCARE MANAGEMENT

Business Valuation
Government Contracting Medical Healthcare Services

As Business Valuators & Financial Advisors 

Discovery Logic

Business Valuation
Government Contracting Healthcare Datamining Services

As Business Valuators & Financial Advisors 

getwell:network
HEALTH THROUGH CONNECTIVITY

Business Valuation
Interactive Patient Care Solutions


As Business Valuators & Financial Advisors 

Lansinoh.

has acquired

ENKO

Purchase Price Allocation
Baby Feeding Products

As Business Valuators & Financial Advisors 

Lansinoh.

has acquired

mOmnia
Technology and Design for Today's Baby

Purchase Price Allocation
Baby Feeding Products

As Business Valuators & Financial Advisors 

mirrus SYSTEMS

has acquired

AMSplus
medical management solutions

Purchase Price Allocation
Medical Billing & Management Solution Software

As Business Valuators & Financial Advisors 

mirrus SYSTEMS

has acquired Accounts Receivable & Reimbursable Management division of

certus
Certain Actions. Certain Results.

Purchase Price Allocation
Medical Transcription & Receivables Management Services

As Business Valuators & Financial Advisors 

mpv
Medical Present Value

has acquired

TeraHealth, Inc.

Purchase Price Allocation
Healthcare Related Software & Services

As Business Valuators & Financial Advisors 

MSC
medical informatics & computing, inc.

Business Valuation
Government Contracting Healthcare Staffing Services

As Business Valuators & Financial Advisors 

Point of Care Technologies, Inc.

Fairness Opinion
Medical Services

As Business Valuators & Financial Advisors 

Professional Healthcare RESOURCES
Home Healthcare You Can Count On

Business Valuation
Home Healthcare Services

As Business Valuators & Financial Advisors 

PROFESSIONAL PERFORMANCE DEVELOPMENT GROUP, INC.

Business Valuation
Government Contracting Healthcare Staffing

As Business Valuators & Financial Advisors 

Quadrant INCORPORATED

Business Valuation
Clinical Informatics & Healthcare Staffing

As Business Valuators & Financial Advisors 

QUATROS

has acquired

MediQual
a division of Cardinal Health

Purchase Price Allocation
Clinical Information Management

As Business Valuators & Financial Advisors 

SimQuest

Business Valuation
Medical Training & Simulation Software

As Business Valuators & Financial Advisors 

TRICAP
Technology Group

Business Valuation
Online Market for Healthcare Debt

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