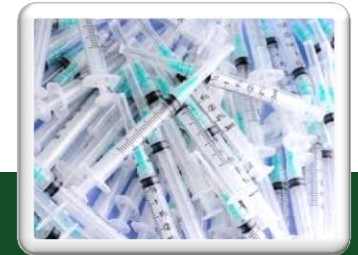


# Healthcare Services

## Industry Update



November 2013

Mergers & Acquisitions  
Business Valuation  
Strategic Consulting



## Notable M&A Activity

**10/14/13. St. Jude Medical (NYSE:STJ)** acquired the remaining stake in Nanostim from Life Science Angels, InterWest Partners, US Venture Partners, Emergent Medical Partners and other investors for approximately \$190 million. Nanostim engages in the development of miniaturized, leadless cardiac pacemakers.

**10/1/13. Tenet Healthcare Corporation (NYSE:THC)** acquired Vanguard Health Systems for \$4.3 billion. Vanguard Health Systems owns and operates 28 acute care hospitals with a total of 7,081 beds, and related outpatient service facilities complementary to the hospitals in urban and suburban markets in the US.

**9/30/13. Kindred Healthcare (NYSE:KND)** acquired TherEX for \$14 million. TherEX provides rehabilitation management and consulting services for hospitals. It also offers operations management system, clinical support, program development, quality improvement and compliance, denial management, and recruitment services.

**9/18/13. Gentiva Health Services** acquired Harden Healthcare from KKR Asset Management, Capstar Partners, R. Steven Hicks and others for approximately \$410 million. Harden Healthcare offers home health services for home-based patients, which includes a range of skilled nursing services from the management of complex diseases to physical, occupational, and speech therapy and personal care services.

**9/9/13. Healthstream** acquired all assets of Baptist Leadership Group from Baptist Health Care Corporation for \$8.5 million. Baptist Leadership Group is a consulting practice that helps healthcare organizations improve the quality of the patient experience through coaching, training and process consulting.








**8/7/13. Levine Leichtman Capital Partners** acquired Champion Manufacturing from Invacare Corp. (NYSE: IVC) in a \$45 million deal. Champion offers medical treatment products to the healthcare market with expertise in healthcare-related furniture, furnishings and fixtures.





## Capital Markets

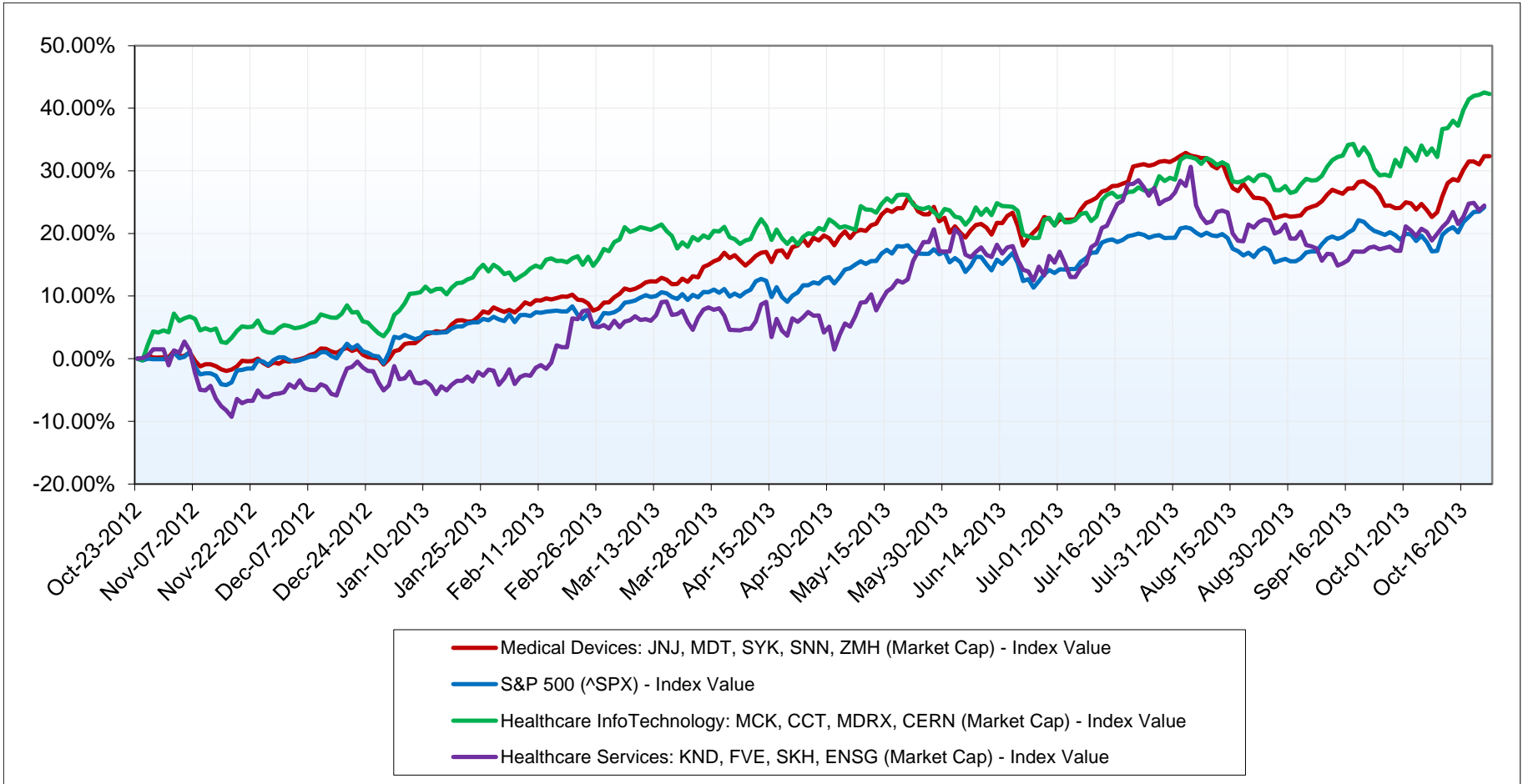
% Change	1 Week	4 Weeks	YTD	52 Weeks
<b>Medical Devices</b>	3.06%	4.91%	30.77%	32.35%
<b>Healthcare InfoTechnology</b>	3.68%	10.27%	33.26%	42.51%
<b>Healthcare Services</b>	2.44%	5.98%	26.00%	24.47%
<b>S&amp;P 500</b>	3.33%	3.37%	19.98%	24.17%

# Healthcare Industry Snapshot (\$MM except EPS)

November 2013

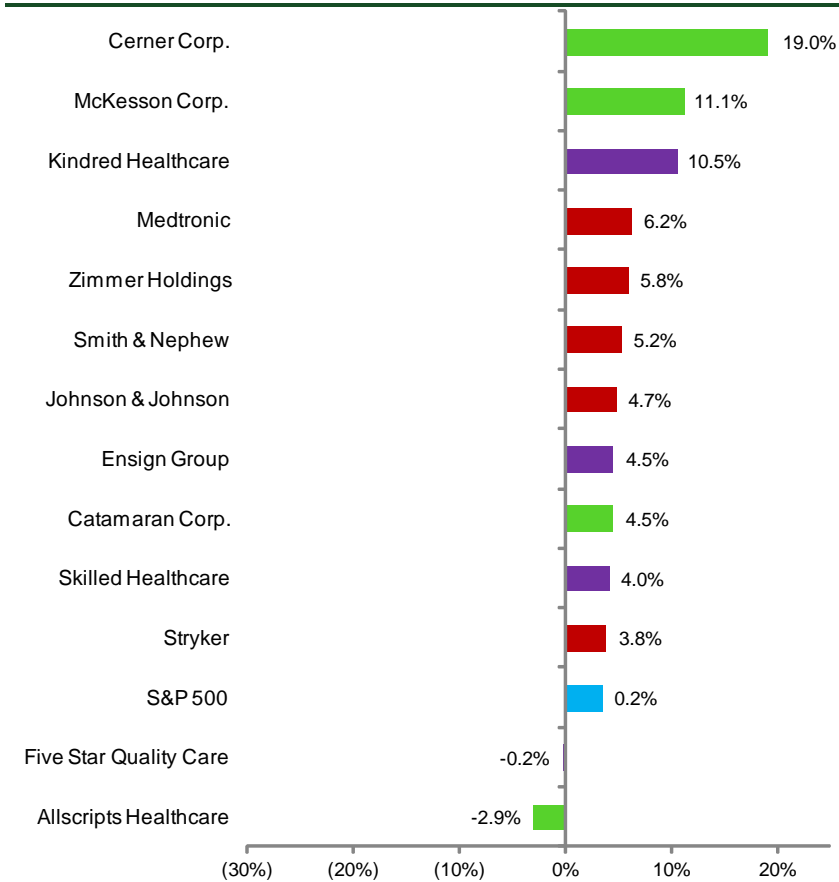
Healthcare Medical Devices	Quarter Ending	Consensus Revenue (\$MM)	Consensus EPS	Actual Revenue (\$MM)	Actual EPS	Difference vs. Estimated Revenue	Difference vs. Estimated EPS
 Johnson & Johnson	9/29/13	\$17,441.2	\$1.32	\$17,575.0	\$1.03	0.77%	-21.8%
 Medtronic <small>Alleviating Pain · Restoring Health · Extending Life</small>	7/26/13	\$4,112.9	\$0.88	\$4,083.0	\$0.94	-0.73%	7.2%
 stryker®	9/30/13	\$2,150.1	\$0.99	\$2,151.0	\$0.27	0.04%	-72.6%
 smith&nephew	6/29/13	\$1,076.3	\$0.18	\$1,074.0	\$0.14	-0.22%	-20.4%
 zimmer	6/30/13	\$1,153.1	\$1.44	\$1,169.5	\$0.90	1.42%	-37.5%
HCIT		Consensus Revenue (\$MM)	Consensus EPS	Actual Revenue (\$MM)	Actual EPS	Difference vs. Estimated Revenue	Difference vs. Estimated EPS
 MCKESSON	6/30/13	\$32,561.5	\$1.70	\$32,208.0	\$1.87	-1.09%	9.7%
 catamaran™	6/30/13	\$3,464.8	\$0.44	\$3,417.4	\$0.31	-1.37%	-29.8%
 Allscripts™	6/30/13	\$355.8	\$0.09	\$344.8	-\$0.13	-3.08%	-238.5%
 Cerner	6/29/13	\$725.7	\$0.33	\$687.2	\$0.33	-5.31%	-0.8%

Healthcare Services (\$MM except EPS)	Quarter Ending	Consensus Revenue (\$MM)	Consensus EPS	Actual Revenue (\$MM)	Actual EPS	Difference vs. Estimated Revenue	Difference vs. Estimated EPS
 Kindred Healthcare	6/30/13	\$1,469.3	\$0.33	\$1,410.4	\$0.03	-4.0%	9.8%
 FIVESTAR QUALITY CARE	6/30/13	\$364.4	\$0.07	\$299.7	\$0.02	-17.7%	23.9%
 Skilled Healthcare	6/30/13	\$219.6	\$0.16	\$213.7	\$0.04	-2.7%	24.5%
ENSIGN  GROUP	6/30/13	\$227.7	\$0.68	\$220.1	\$0.57	-3.3%	82.7%

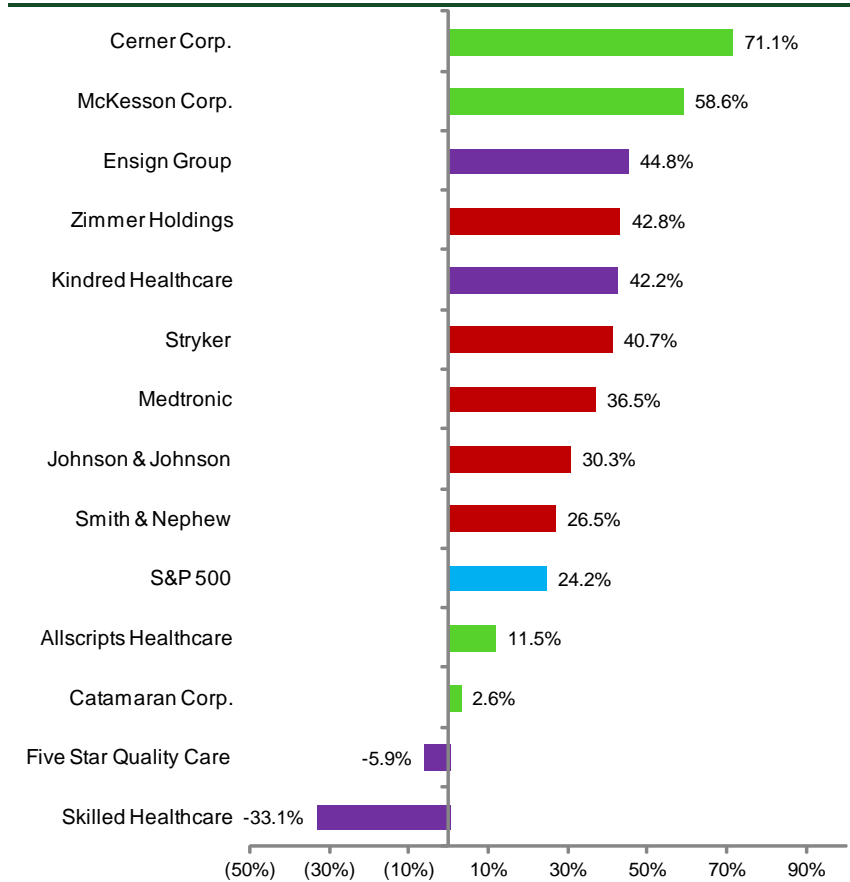







Data as of Market Close Tuesday, October 22, 2013





## Last 4 Weeks







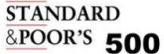
## Last 52 Weeks








Company	10/22/13 Close	% 52 Week High	4 Weeks' Change	52 Weeks' Change	Recent News
 Johnson & Johnson	\$92.36	97.8%	4.69%	30.29%	J&J's \$2.2 B settlement of US criminal and civil charges has focused attention on off-label marketing practices/kickbacks paid physicians and a nursing home pharmacy. But court docs reveal another troubling issue— withholding clinical trial data.
 Medtronic	\$56.73	99.8%	6.18%	36.53%	On 11/5/13, Medtech titans Medtronic and Boston Scientific pled their cases before the Supreme Court in a long-running battle over cardiac rhythm technology patents and who bears the burden of proof in waging infringement battles.
 stryker®	\$73.53	99.7%	3.81%	40.73%	A year after issuing a hip implant recall, thousands of Stryker patients face complications that may require legal action. Complications include: implant loosening, popping noises, pseudo tumors, dislocations, localized pain, metal poisoning, nerve/tissue damage, etc. New surgery often is required.
 smith&nephew	\$12.93	99.3%	3.70%	24.24%	Smith & Nephew appointed Roberto Quarta chairman elect and non-executive director effective 12/4/13. Quarta chairs IMI's engineering business, energy company Rexel and private equity group Clayton, Dubilier and Rice Europe. This former CEO of BBA Group succeeds retiring Sir John Buchanan.
 zimmer	\$88.72	99.1%	5.83%	42.77%	On 10/31/13, Zimmer Spine announced its launch of the <i>Viewline</i> Tube Retraction System, <i>Viewline</i> Retractor System, and <i>Viewline</i> Posterior MIS Instrument Set to facilitate exposure, retraction, decompression and disc preparation for MIS TLIF/PLIF/PLF and microdiscectomy procedures.
STANDARD & POOR'S <b>500</b>	\$1,754.67	100.0%	3.37%	24.17%	The S&P 500 and other major US stock indices continued to set new market highs through October 2013.

Company	10/22/13 Close	% 52 Week High	4 Weeks' Change	52 Weeks' Change	Recent News
 <b>McKesson</b>	\$142.13	98.8%	11.12%	58.63%	McKesson reported 2Q 14 net income (9/30/13) of \$404 MM, or \$1.74 per diluted share v. 2Q 13's \$401 MM, or \$1.67 P/S. For FY 14, it projects \$8.40 to \$8.70 adjusted EPS (diluted) from continuing operations. 2Q 14 revenues were \$32.95 B v. prior year \$29.75 B. 1H 14 net income was \$828 MM or \$3.56 P/S.
catamaran™	\$49.34	84.0%	4.28%	6.27%	Catamaran revenue rose 13% YOY to \$3.6 B in Q3 13 v. \$3.2 B. Gross profit rose 23% to \$287.8 MM v. prior year \$234.9 MM. EBITDA rose 62% to \$167.6 MM v. prior year \$103.2 MM. Net income attributable to Catamaran rose 256% \$72.9 MM or \$0.35 P/S (fully-diluted) in Q3 13 v. \$20.5 MM.
 Allscripts™	\$14.70	89.5%	-2.91%	11.53%	Baylor Health Care System upgraded to Allscripts Sunrise Clinicals 6.1 integrated electronic health record (EHR), an advanced clinical info solution that integrates inpatient and ambulatory care via a single, enterprise-wide EHR. With significant functional enhancements, Sunrise Clinicals 6.1 also is designed to help clinicians manage the complexity of ICD-10.
 Cerner	\$58.19	97.9%	19.02%	71.15%	Cerner reported 3Q 13 (9/28/13) net earnings of \$115.34 MM or \$0.33 P/S (diluted) v. prior year \$98.89 MM or \$0.28 P/S (diluted). Cerner projects 4Q 13 revenues of \$775 MM to \$815 million. Total 3Q 13 revenues were \$727.83 MM v. prior year \$676.48 MM. YTD revenues hit \$2.11 B v. prior year \$1.95 B.
 <b>STANDARD &amp; POOR'S 500</b>	\$1,754.67	100.0%	3.37%	24.17%	The S&P 500 and other major US stock indices continued to set new market highs through October 2013.







Company	10/22/13 Close	% 52 Week High	4 Weeks' Change	52 Weeks' Change	Recent News
 Kindred Healthcare	\$14.72	88.5%	10.51%	42.22%	Kindred acquired Senior Home Care, a provider of home health care services, for \$95 MM. It acquired HCP assets in an \$83 MM deal, having formerly leased the underlying properties for approximately \$9 MM annually.
 FIVE STAR QUALITY CARE	\$5.27	76.7%	-0.19%	-5.89%	Five Star's 4QTR 2012 revenues increased 14.4% to \$359.1 million vs. 4QTR 2011's \$314 million while EBITDA increased to \$12.0 million vs. \$8.4 million for the prior year. It also extended a \$35 million credit facility to 2016.
 Skilled Healthcare	\$4.42	55.2%	4.00%	-33.13%	Skilled Healthcare Chairman & CEO Boyd Hendrickson will retire by yearend 2013. It lowered FY 13 guidance to revenues of \$880 million to \$890 million, EBITDA of \$95 million to \$99 million and net income per diluted common share of \$0.57 to \$0.63.
 ENSIGN GROUP	\$43.39	96.5%	4.48%	44.83%	Ensign executed a 10/1/13 DOJ settlement and received final approval of the HHS Inspector General and US District Court for California's Central District to resolve a 7-year investigation. Ensign entered a 5-year corporate integrity agreement and will pay \$48 MM without admitting wrongdoing to resolve allegations and avoid the uncertainty/expense of litigation.
 STANDARD & POOR'S 500	\$1,754.67	100.0%	3.37%	24.17%	The S&P 500 and other major US stock indices continued to set new market highs through October 2013.





Medical Devices Index

					
3x LTM EBITDA	\$68,562.0	\$16,908.0	\$4,944.0	\$3,516.0	\$5,030.7
Plus Cash	\$0.0	\$828.0	\$1,110.0	\$101.0	\$709.9
Less LT Debt	\$0.0	(\$9,652.0)	(\$2,743.0)	(\$335.0)	(\$1,688.1)
<b>Dry Powder</b>	<b>\$68,562.0</b>	<b>\$8,084.0</b>	<b>\$3,311.0</b>	<b>\$3,282.0</b>	<b>\$4,052.5</b>

HCIT Index

				
3x LTM EBITDA	\$9,282.0	\$1,840.2	\$233.7	\$2,346.6
Plus Cash	\$2,905.0	\$373.6	\$72.0	\$270.8
Less LT Debt	(\$4,522.0)	(\$987.9)	(\$534.3)	(\$133.0)
<b>Dry Powder</b>	<b>\$7,665.0</b>	<b>\$1,225.9</b>	<b>(\$228.6)</b>	<b>\$2,484.4</b>

Healthcare Services Index

				
3x LTM EBITDA	\$1,280.6	\$136.5	\$245.2	\$262.0
Plus Cash	\$37.4	\$19.3	\$2.0	\$27.5
Less LT Debt	(\$1,662.3)	(\$37.1)	(\$433.2)	(\$208.8)
<b>Dry Powder</b>	<b>(\$344.2)</b>	<b>\$118.8</b>	<b>(\$186.0)</b>	<b>\$80.7</b>

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.

## Business Valuation & Litigation Support

As a core competency and complement to its M&A business, The McLean Group provides business valuation services, including intangible asset and financial security valuations for a variety of transactions, financial reporting and tax purposes. In addition, The McLean Group has the experience and credentials necessary to support litigation proceedings, including quantifying economic damages and valuing a minority interest in a business.

## Capital Formation

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.

## 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.

*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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has been acquired by



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  
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Market Intelligence and Acquisition Support  
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Market Intelligence and Acquisition Support  
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Market Intelligence and Acquisition Support  
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Market Intelligence and Acquisition Support  
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Market Intelligence and Acquisition Support  
Medical Products

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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

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**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

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**Point of Care Technologies, Inc.**

**Fairness Opinion**  
Medical Services

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**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

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**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

As Business Valuators & Financial Advisors 

# Select Recent Healthcare Transactions (US & Canada)

November 2013

Closed	Target/Issuer (Sellers)	Buyers/Investors	Industry [Target/Issuer]	Implied EV (\$ MM)	Implied EV/Rev. (x)	EV/EBITDA (x)
10/18/13	Harden Healthcare (Capstar Partners; KKR Asset Management)	Gentiva Health Services (NasdaqGS:GTV)	Healthcare Facilities	\$408.80	0.859	-
10/14/13	Nanostim (InterWest Partners; US Venture Partners; Life Science Angels; Emergent Medical Partners)	St. Jude Medical (NYSE:STJ)	Healthcare Equipment	-	-	-
10/9/13	Imperium Health Management	Almost Family Inc. (NasdaqGS:AFAM)	Healthcare Services	\$9.43	-	-
10/3/13	PACSGEAR	Perceptive Software USA, Inc.	Healthcare Technology	\$54.00	-	-
10/1/13	Onyx Pharmaceuticals (Samana Capital; Fidelity Management & Research Company; iNetworks; T. Rowe Price Associates)	Amgen Inc. (NasdaqGS:AMGN)	Biotechnology	\$9,259.30	17.95	-
10/1/13	Restat (F. Dohmen Co.)	Catamaran Corporation (TSX:CCT)	Healthcare Services	\$409.50	-	-
10/1/13	Vanguard Health Systems (Lexington Partners; Metalmark Capital; The Blackstone Group; North Sky Capital)	Tenet Healthcare Corp. (NYSE:THC)	Healthcare Facilities	\$4,295.56	0.724	8.2
9/30/13	TherEX	Kindred Healthcare Inc. (NYSE:KND)	Healthcare Services	\$14.00	0.7	-
9/30/13	Glenwood Regional Medical Center and Mountain Vista Medical Center and Southeast Texas Hospital (IASIS Healthcare)	MPT Operating Partnership, L.P.	Healthcare Facilities	\$281.30	0.117	-
9/30/13	CML Healthcare (RBC Global Asset Management)	LifeLabs Inc.	Healthcare Services	\$1,166.76	3.5	11.75
9/26/13	PT Healthcare Solutions Corp.	Quindell Portfolio Plc (AIM:QPP)	Healthcare Facilities	\$33.03	0.415	-
9/25/13	Kindred Healthcare 17 Non-Strategic Facilities (NYSE:KND)	Vibra Healthcare, LLC	Healthcare Facilities	\$187.00	0.647	9.35
9/18/13	Spire Biomedical (Spire Corp. (OTCPK:SPIR))	N2 Biomedical LLC	Healthcare Services	\$10.59	-	-
9/9/13	Mirth Corporation	Quality Systems Inc. (NasdaqGS:QSII)	Healthcare Technology	\$59.00	-	-
9/9/13	Baptist Leadership Group (Baptist Health Care Corp.)	Healthstream Inc. (NasdaqGS:HSTM)	Healthcare Services	\$8.50	-	-



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