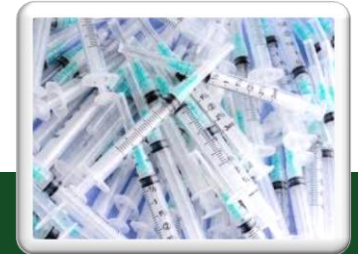


# Healthcare Services Industry Update



June 2013

Mergers & Acquisitions  
Business Valuation  
Strategic Consulting  
Corporate Finance



## Notable M&A Activity

**6/5/13. Bayer HealthCare, LLC acquired Conceptus, Inc. for \$1.1 billion.** Conceptus designs, develops and markets minimally invasive devices for reproductive medical applications primarily in the US, France and Europe.

**5/7/13. Aetna acquired Coventry Health Care for \$5.8 billion.** Coventry operates as a diversified national managed healthcare company that provides a portfolio of risk and fee-based products, including Medicare and Medicaid programs, group and individual health insurance, workers' compensation solutions and network rental services.

**5/1/13. Roper Industries acquired Managed Healthcare Associates for \$1 billion.** Managed Healthcare Associates provides healthcare services and solutions to support the needs of alternate site healthcare providers. It offers group purchasing and business solutions in mobility, sleep apnea, respiratory therapy, and durable medical equipment product categories, among other products and services.

**4/26/13. Auxilium Pharmaceuticals acquired Actient Pharmaceuticals for \$635 million.** Actient, a therapeutics company, develops and markets pharmaceutical products that improve patient outcomes. It focuses on urology, among other areas.

**4/16/13. MPG Healthcare acquired 13 Senior Housing and Care Properties in North Carolina, Pennsylvania and Virginia for \$142 million.** The acquisition included 4 skilled nursing facilities, 8 combination assisted living/Alzheimer facilities and 1 standalone Alzheimer facility.










**4/2/13. Centene Corp. acquired AcariaHealth, Inc. for \$152 million.** AcariaHealth's specialty pharmacies in the US support patients and their families by providing specialty pharmacy products and services, including coordination of nursing services, benefit investigation, and IV and injectable drug therapy training. It also offers services for healthcare specialists, health plans and payers, and pharmaceutical manufacturing partners that comprise patient clinical support programs, patient education and monitoring, Web-based collaboration, coordination of nursing services and much more.

## Capital Markets

% Change	1 Week	4 Weeks	YTD	52 Weeks
<b>Medical Devices</b>	0.22%	-1.97%	20.18%	29.10%
<b>Healthcare InfoTechnology</b>	0.93%	-0.57%	17.87%	18.53%
<b>Healthcare Services</b>	-0.19%	3.84%	18.21%	39.12%
<b>S&amp;P 500</b>	-1.01%	-2.44%	11.24%	20.97%






# Healthcare Industry Snapshot (\$ MM except EPS)

June 19, 2013

Healthcare Medical Devices	Quarter Ending	Consensus Revenue (\$MM)	Consensus EPS	Actual Revenue (\$MM)	Actual EPS	Difference vs. Estimated Revenue	Difference vs. Estimated EPS
	3/31/13	\$17,424.3	\$1.40	\$17,505.0	\$1.25	0.46%	-10.6%
	4/26/13	\$4,384.9	\$1.03	\$4,459.0	\$0.96	1.69%	-7.3%
	3/31/13	\$2,202.3	\$1.01	\$2,190.0	\$0.80	-0.56%	-20.5%
	3/30/13	\$1,069.0	\$0.18	\$1,075.0	\$0.16	0.57%	-13.8%
	3/31/13	\$1,142.9	\$1.40	\$1,138.9	\$1.30	-0.35%	-7.7%
HCIT		Consensus Revenue (\$MM)	Consensus EPS	Actual Revenue (\$MM)	Actual EPS	Difference vs. Estimated Revenue	Difference vs. Estimated EPS
	3/31/13	\$32,012.3	\$2.30	\$30,620.0	\$1.12	-4.35%	-51.4%
	3/31/13	\$3,527.4	\$0.41	\$3,219.7	\$0.25	-8.72%	-38.7%
	3/31/13	\$367.4	\$0.14	\$347.1	-\$0.07	-5.54%	-148.0%
	3/30/13	\$708.0	\$0.63	\$665.5	\$0.64	-6.01%	1.1%

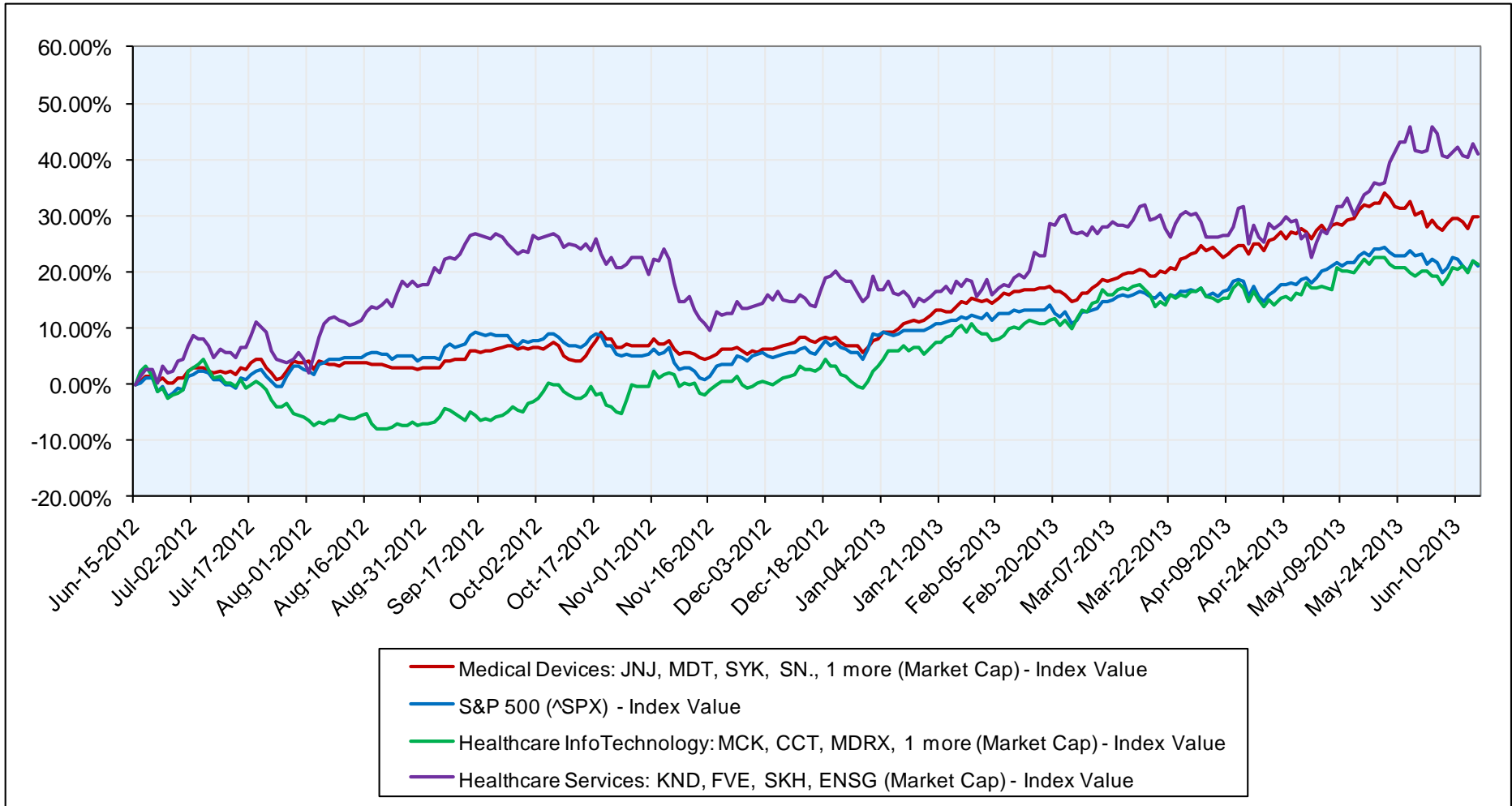
# Industry Snapshot: Healthcare

June 19, 2013

Healthcare Services (\$ Millions except EPS)	Quarter Ending	Consensus Revenue (\$MM)	Consensus EPS	Actual Revenue (\$MM)	Actual EPS	Difference vs. Estimated Revenue	Difference vs. Estimated EPS
 Kindred Healthcare	3/31/13	\$1,524.7	\$0.37	\$1,554.9	\$0.06	2.0%	15.5%
 FIVESTAR QUALITY CARE	3/31/13	\$357.3	\$0.06	\$308.0	\$0.04	-13.8%	62.4%
 Skilled Healthcare	3/31/13	\$222.5	\$0.18	\$218.9	\$0.08	-1.6%	46.6%
 ENSIGN  GROUP	3/31/13	\$224.7	\$0.68	\$218.2	-\$0.56	-2.9%	-82.6%

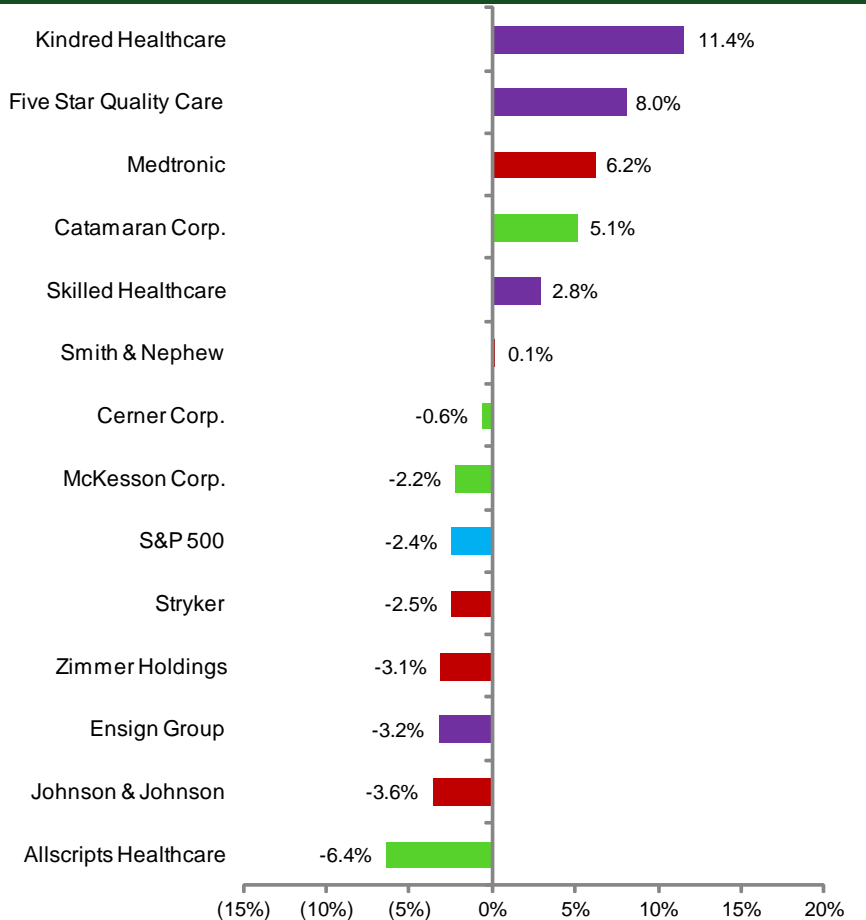
# Capital Markets: Last 52 Weeks' Index Performances

June 19, 2013

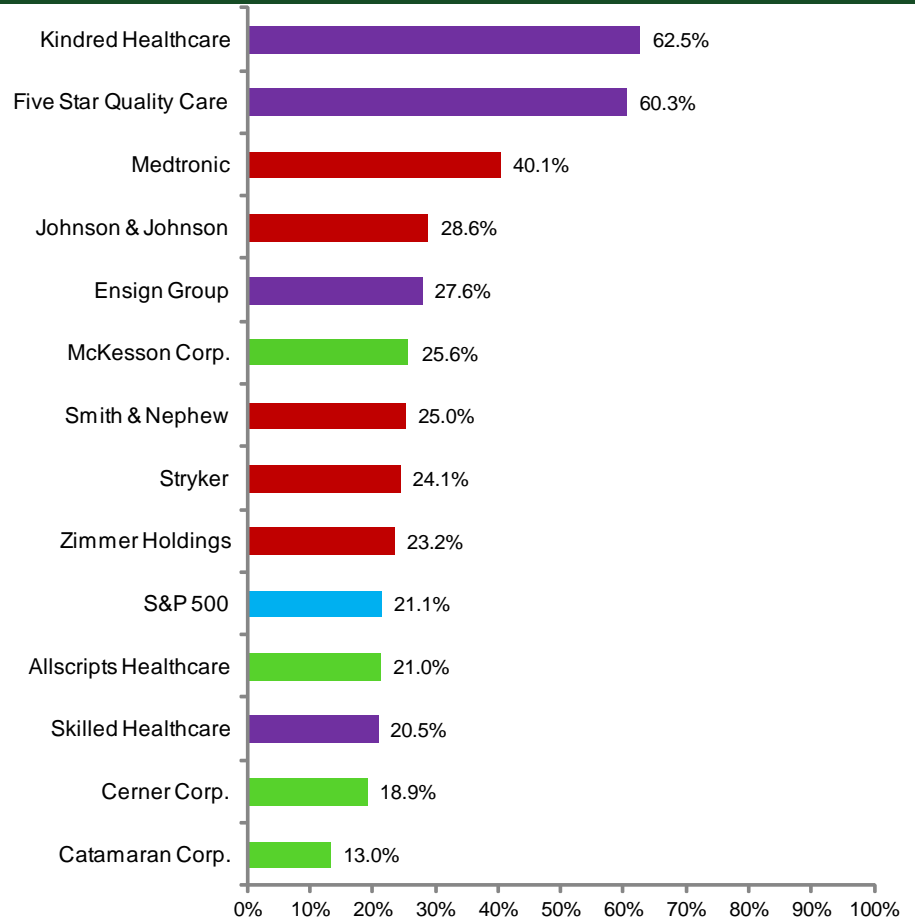

















Data as of Market Close Friday, June 14, 2013















## Last 4 Weeks

















## Last 52 Weeks



Company	6/14/13 Close	% 52 Week High	4 Weeks' Change	52 Weeks' Change	Recent News
 <b>Johnson &amp; Johnson</b>	\$84.91	94.4%	 <b>-3.61%</b>	 <b>28.63%</b>	J&J announced a definitive agreement to acquire Aragon Pharmaceuticals, which focuses on drugs to treat hormonally-driven cancers. It plans to submit 10 new drug applications by 2017. The company also announced an 8.2% dividend increase, to \$0.66 per share.
 <b>Medtronic</b>	\$52.92	98.3%	 <b>6.18%</b>	 <b>40.11%</b>	Medtronic announced that for FY 14, it expects 3% to 4% revenue growth and \$3.80 to \$3.85 EPS. It reported \$16.59 billion in FY 2013 revenues. Analysts expect the company to generate \$16.983 billion in FY 14 revenue.
<b>stryker</b>	\$67.21	96.0%	 <b>-2.45%</b>	 <b>24.12%</b>	Stryker declared a \$0.265 quarterly dividend payable 7/13/13 to S/Hs of record 6/28/13. It issued FY 13 guidance in line with analysts' estimates: 3% to 5.5% revenue growth (excluding foreign exchange and M&A), and \$4.25 to \$4.40 EPS.
<b>smith&amp;nephew</b>	\$11.76	94.2%	 <b>-3.15%</b>	 <b>24.69%</b>	Smith & Nephew agreed to acquire Adler Mediequip, including the brands and assets of Sushrut Surgicals, operating in mid-tier, orthopaedic trauma products in India. Terms were not disclosed.
 <b>zimmer</b>	\$77.86	95.0%	 <b>-3.09%</b>	 <b>23.20%</b>	Zimmer announced a \$0.20 quarterly dividend payable 7/26/13 to S/Hs of record 6/28/13. It acquired Tuttlingen, Germany-based NORMED Medizin-Technik, a provider of technologies for foot, ankle, hand and wrist reconstruction and trauma markets.
<b>S&amp;P 500</b>	\$1,626.73	97.5%	 <b>-2.44%</b>	 <b>21.14%</b>	The S&P and other major US stock market indices continue to set records at this time.

Company	6/14/13 Close	% 52 Week High	4 Weeks' Change	52 Weeks' Change	Recent News
 <b>McKesson</b>	\$114.29	95.8%	 -2.22%	 25.59%	McKesson expects FY 14 adjusted earnings per diluted share (EPS) of \$7.90 to \$8.20. It previously announced that it had completed its \$2.1 billion acquisition of Pss World Medical, Inc.
 <b>catamaran™</b>	\$53.52	92.6%	 4.04%	 12.38%	Cigna Corp. will build on its pharmacy benefits business by launching a 10-year strategic PBM partnering agreement with Catamaran combining Cigna's customer focus and clinical excellence with Catamaran's capabilities while enjoying the combined purchasing scale of both companies.
 <b>Allscripts™</b>	\$13.19	92.6%	 -6.39%	 21.01%	Resolute Health, a New Braunfels, TX, health and wellness provider, selected Allscripts Sunrise Clinical Manager Electronic Health Record (EHR).
 <b>Cerner</b>	\$98.22	98.2%	 -0.62%	 18.85%	Cerner and Medassets will expand their business relationship by embedding knowledge components of MedAssets Claims Management solution into Cerner's Patient Accounting solution to give Cerner clients significantly enhanced claims processing workflow capabilities. The agreement reflects the companies' mutual commitment to offer interoperable solutions to care providers.
<b>S&amp;P 500</b>	\$1,626.73	97.5%	 -2.44%	 21.14%	The S&P and other major US stock market indices continue to set records at this time.



Company	6/14/13 Close	% 52 Week High	4 Weeks' Change	52 Weeks' Change	Recent News
 Kindred Healthcare	\$13.55	93.5%	 11.43%	 62.47%	Kindred reaffirmed FY2013 financial guidance to include \$5.9 billion in consolidated revenues and \$806 million to \$822 million in operating income. It projects income from continuing operations of between \$1.10 to \$1.30 per diluted share.
 FIVE STAR QUALITY CARE	\$5.29	77.0%	 7.96%	 60.30%	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	\$6.99	87.3%	 2.79%	 20.52%	Skilled Healthcare 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. US HUD will resume processing Skilled Healthcare's pending application for approval of up to \$460 million in HUD-insured loans.
 ENSIGN GROUP	\$35.50	93.2%	 -3.24%	 27.61%	Ensign declared a \$0.65 quarterly cash dividend payable on or before 7/31/13 to S/Hs of record 6/30/13. The company recently acquired Legacy Rehabilitation and Living, a 150-bed skilled nursing facility in Amarillo, TX
S&P 500	\$1,626.73	97.5%	 -2.44%	 21.14%	The S&P and other major US stock market indices continue to set records at this time.

Medical Devices Index



3x LTM EBITDA	\$65,223.0	\$16,797.0	\$6,204.0	\$3,540.0	\$5,003.4
Plus Cash	\$14,855.0	\$984.0	\$1,913.0	\$125.0	\$657.0
Less LT Debt	(\$11,363.0)	(\$10,291.0)	(\$2,738.0)	(\$209.0)	(\$1,702.8)
<b>Dry Powder</b>	<b>\$68,715.0</b>	<b>\$7,490.0</b>	<b>\$5,379.0</b>	<b>\$3,456.0</b>	<b>\$3,957.6</b>

HCIT Index



3x LTM EBITDA	\$8,709.0	\$1,518.6	\$317.3	\$2,236.7
Plus Cash	\$2,456.0	\$311.4	\$92.2	\$281.5
Less LT Debt	(\$4,521.0)	(\$1,019.9)	(\$481.8)	(\$135.5)
<b>Dry Powder</b>	<b>\$6,644.0</b>	<b>\$810.1</b>	<b>(\$72.3)</b>	<b>\$2,382.7</b>

Healthcare Services Index



3x LTM EBITDA	\$1,261.4	\$137.6	\$272.2	\$265.0
Plus Cash	\$42.7	\$15.2	\$5.1	\$42.5
Less LT Debt	(\$1,671.3)	(\$37.3)	(\$438.2)	(\$201.3)
<b>Dry Powder</b>	<b>(\$367.2)</b>	<b>\$115.5</b>	<b>(\$160.8)</b>	<b>\$106.2</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 aerospace, defense and government services 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).*


 <p>Market Intelligence and Acquisition Support Medical Products</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support Pharmaceuticals</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support Healthcare Services</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support Pharmaceuticals</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support Specialty Pharmacy</p> <p>McLean, Markowitz &amp; McNaughton </p>
 <p>Market Intelligence and Acquisition Support Healthcare Services</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support Pharmaceuticals</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support Healthcare IT</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support Healthcare Products</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support Biotechnology</p> <p>McLean, Markowitz &amp; McNaughton </p>
 <p>Market Intelligence and Acquisition Support Medical Devices</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support Healthcare Services</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support Medical Products</p> <p>McLean, Markowitz &amp; McNaughton </p>		

**CBaySystems**  
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**  
HEALING 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

 **AMS pic**  
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 science & 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

As Business Valuators & Financial Advisors 

# Select Recent Healthcare Transactions (US & Canada)

June 19, 2013

Closed	Target/Issuer (Sellers)	Buyers/Investors	Industry [Target/Issuer]	Implied EV (\$ MM)	Implied EV/Rev. (x)	Implied EV/EBITDA (x)
6/13/13	Molina Center LLC, Offices in Long Beach and An Office Building in Columbus (Molina Center LLC)	AG Net Lease Acquisition Corp.	Real Estate Operating Companies	158.63	-	-
6/13/13	Healthcare Finance Group, LLC (LLR Partners Inc.; GCP Capital Partners; Morgan Stanley Asset Funding Inc.)	Fifth Street Capital LLC; Fifth Street Finance Corp. (NasdaqGS:FSC)	Specialized Finance	114.0	-	-
6/5/13	Portfolio of Six Medical Office Buildings (Irgens Development Partners LLC)	Broadstone Real Estate LLC	Real Estate Operating Companies	46.5	-	-
6/5/13	Conceptus, Inc. (VantagePoint Capital; Federated Investors (NYSE:FI); FMR Company; T. Rowe Price; Federated Global Investment Management; William Blair & Co.)	Bayer HealthCare, LLC	Healthcare Equipment	1,089.3	7.49	36.62
5/31/13	WHC Properties, LLC (Perennial Healthcare Management, LLC)	CHP Partners LP	Healthcare Facilities	11.85	-	-
5/31/13	Magnolia Healthcare Center (Perennial Healthcare Management)	CHP Partners LP	-	11.85	-	-
5/31/13	Jonesboro Healthcare Center (Perennial Healthcare Management)	CHP Partners LP	-	15.23	-	-
5/7/13	Coventry Health Care Inc.	Aetna Inc. (NYSE:AET)	Managed Healthcare	5,795.48	0.434	6.33
5/2/13	Chilton Memorial Hospital	Atlantic Health System, Inc.	Healthcare Facilities	43.0	-	-
5/1/13	Managed Healthcare Associates, Inc. (Diamond Castle Holdings, LLC)	Roper Industries Inc. (NYSE:ROP)	Managed Healthcare	1,000.0	-	-
5/1/13	Ten Broeck Tampa and Capestrano Investment Coc. (UMC Ten Broeck; First Ten Broeck Tampa; Capestrano Holding 12)	Acadia Merger Sub, LLC	Healthcare Facilities	91.8	-	-

# Select Recent Healthcare Transactions (US & Canada, *continued*)

June 19, 2013

Closed	Target/Issuer (Sellers)	Buyers/Investors	Industry [Target/Issuer]	Implied EV (\$ MM)	Implied EV/Rev. (x)	Implied EV/EBITDA (x)
5/1/13	SeniorTrust of Florida, Sedgwick And Chanute And Council Grove And Larned And Haysville HealthCares (SeniorTrust of Florida)	Diversicare Healthcare Services Inc. (NasdaqCM:DVCR)	Healthcare Facilities	15.5	0.646	-
4/26/13	Actient Pharmaceuticals, LLC (GTCR, LLC)	Auxilium Pharmaceuticals Inc. (NasdaqGS:AUXL)	Pharmaceuticals	635.0	-	-
4/16/13	13 Senior Housing And Care Properties Located In NC, PA And VA (RSF RET V; SP Advisors; SP Healthcare Investors)	MPG Healthcare L.P.	Healthcare Facilities	141.7	23.98	-
4/2/13	AcariaHealth, Inc. (Enhanced Equity Fund, L.P.)	Centene Corp. (NYSE:CNC)	Drug Retail	152.0	-	-
4/1/13	Providence Medical Center and Saint John Hospital (Sisters of Charity of Leavenworth Health System)	Prime Healthcare Services, Inc.	Healthcare Facilities	54.3	-	-
4/1/13	Bayfront Medical Center, Inc.	Shands HealthCare, Inc.	Healthcare Facilities	202.5	-	-
3/12/13	Epocrates (Bay City Capital; Goldman Sachs Group; InterWest Partners; Sprout Group; Three Arch Partners; Industry Ventures; Millennium Technology Value Partners; FMR Company; BlackRock Advisors; New Leaf Venture Partners; DLJ Capital Corp.; DLJ LBO Plans Management)	athenahealth, Inc. (NasdaqGS:ATHN)	Health Care Technology	216.24	1.95	38.16



## Team Members

---

**Dennis Roberts**  
**Chairman & Managing Principal**  
droberts@mcleanllc.com

**Charles Andrews**  
**Managing Director**  
candrews@mcleanllc.com

**Stephen Findlay**  
**Managing Director**  
sfindlay@mcleanllc.com

**Michael LaMancuso**  
**Director**  
mlamancuso@mcleanllc.com

**Shari Overstreet**  
**Managing Director**  
soverstreet@mcleanllc.com

**George Petrulis**  
**Managing Director**  
gpetrulis@mcleanllc.com

**Stephen Zielinski**  
**Managing Director**  
szielinski@mcleanllc.com

**Jack Zollinger**  
**Managing Director**  
jzollinger@mcleanllc.com

---

**The McLean Group**  
7900 Westpark Drive, Suite A320  
McLean, VA 22102  
Main: 703.827.0200  
Fax: 703.827.0175