



PCE Industry Report

Healthcare



Middle Market M&A Summary

Healthcare

2nd Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$6.29 billion.
 - The largest transaction was the acquisition of Baxalta Incorporated by Shire Plc for \$36.22 billion.
 - The smallest transaction was the acquisition of Netsmart Technologies Inc. by GI Partners, LLC; Allcare Healthcare Solutions, Inc. for \$950 million.
- The public company industry median TEV/EBIT multiple is 18.55x.
- The public company industry median TEV/EBITDA multiple is 16.05x.

Key Trends

- The volume of announced sponsor-backed deals in the U.S. this year through Mid-May slowed to \$34.8 billion. The volume of private-equity deals in the health-care sector, however, jumped to \$10.3 billion, compared to \$3.8 billion last year. ¹
- Medical cybersecurity has emerged as a major issue, requiring device companies and healthcare providers to take preemptive action to maintain trust in medical equipment and prevent breaches that could cripple the industry. Healthcare breaches cost the industry \$5.6 billion each year. ^{2,3}
- High profile mergers and acquisitions are likely to continue throughout the year, with attention focused on insurers. Looking to generate more touchpoints with existing customer bases, large physician management companies are acquiring complementary groups. ²
- The Pharma, Medical & Biotech industries had 102 deals to June 2016 worth \$7.23 bn. The most notable acquisition was Bristol-Myers Squibb's acquisition of Padlock Therapeutics for \$225 million. ⁴
- Q2 2016 has seen 11 healthcare IPOs, with the largest being American Renal Associates Holdings. ⁵

Source: IBIS World, S&P Capital IQ and PCE Proprietary Data

¹ Wall Street Journal, May 31, 2016

² PwC, Health Research Institute 2016

³ Experian, Data Breaches 2015

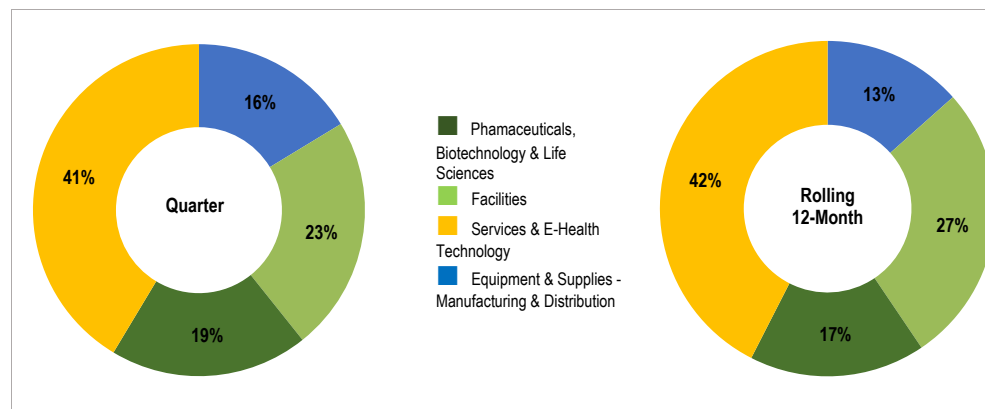
⁴ Firmex Mid-Market, Q2 2016

⁵ IPO Scoop, 2016 Pricings

Industry Trends During Quarter

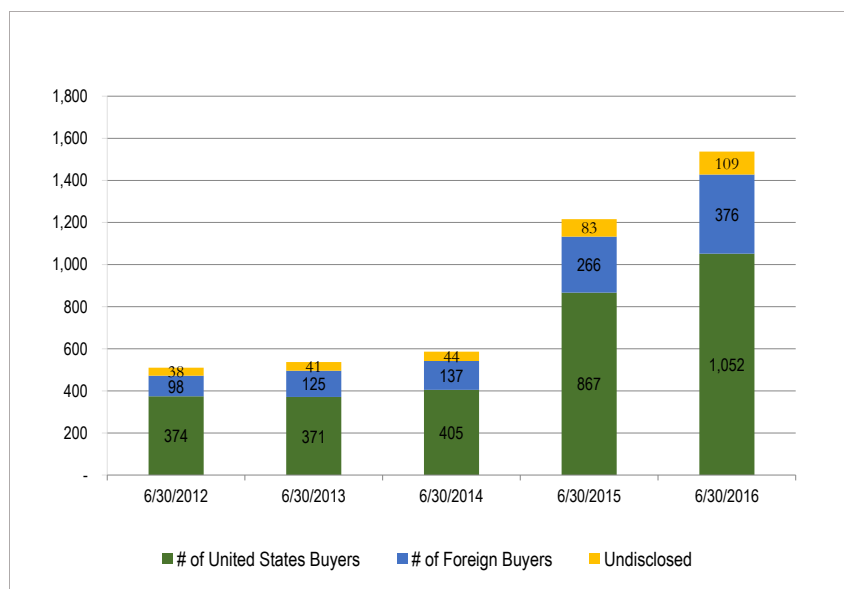
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Equipment & Supplies - Manufacturing & Distribution	→	↓	↑
Facilities	↓	↑	↑
Pharmaceuticals, Biotechnology & Life Sciences	↓	↑	↑
Services & E-Health Technology	↓	↑	↑

Transaction Volume as % of Industry



* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

Rolling 12-Month Transaction Volume Trends by Buyer Origin



Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

Sector	Target	Buyer	Transaction Value
Pharma, Biotech & Life Sciences	Baxalta Incorporated	Shire plc	\$36,219.9
Pharma, Biotech & Life Sciences	Stemcentrx, Inc.	AbbVie Inc.	\$9,324.6
Pharma, Biotech & Life Sciences	Anacor Pharmaceuticals, Inc.	Pfizer Inc.	\$4,615.4
Services & E-Health	Truven Holding Corp.	IBM Watson Health	\$3,581.0
Equip & Supplies - Manu Dist	Sage Products LLC	Stryker Corporation	\$2,775.0
Pharma, Biotech & Life Sciences	eResearchTechnology, Inc.	Nordic Capital; Novo A/S; Nordic Capital Fund VIII LP	\$1,800.0
Equip & Supplies - Manu Dist	Physio-Control International, Inc.	Stryker Corporation	\$1,344.0
Pharma, Biotech & Life Sciences	Affymetrix Inc.	Thermo Fisher Scientific, Inc.	\$1,251.0
Pharma, Biotech & Life Sciences	Renaissance Acquisition Holdings, LLC	Mylan N.V.	\$1,000.0
Services & E-Health	Netsmart Technologies Inc.	GI Partners, LLC; Allscripts Healthcare Solutions, Inc.	\$950.0

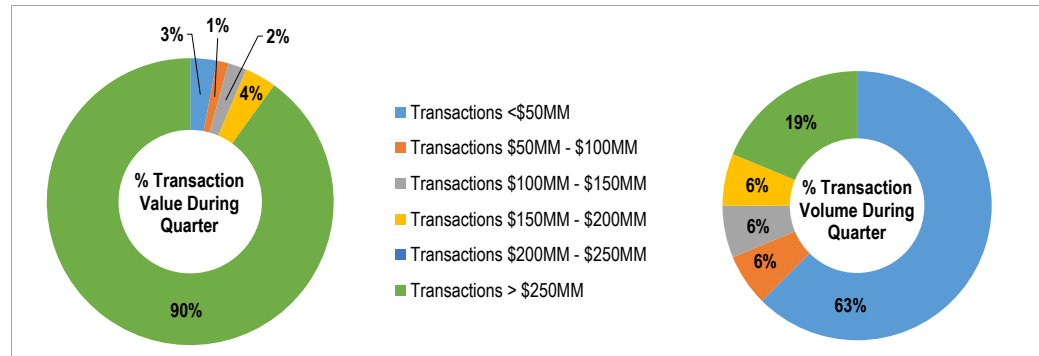
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	54
Number of Transactions with Disclosed Values	16
Transaction Value*	\$4,906.68
Average Transaction Value*	\$324.84
Median Transaction Value*	\$18.90

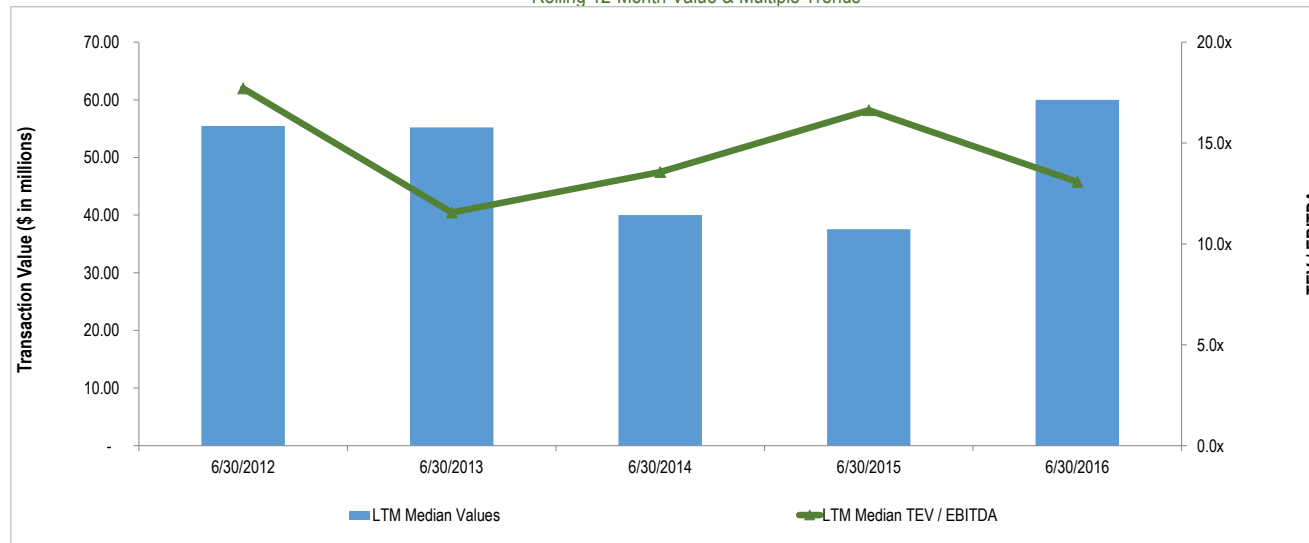
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

Transaction by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

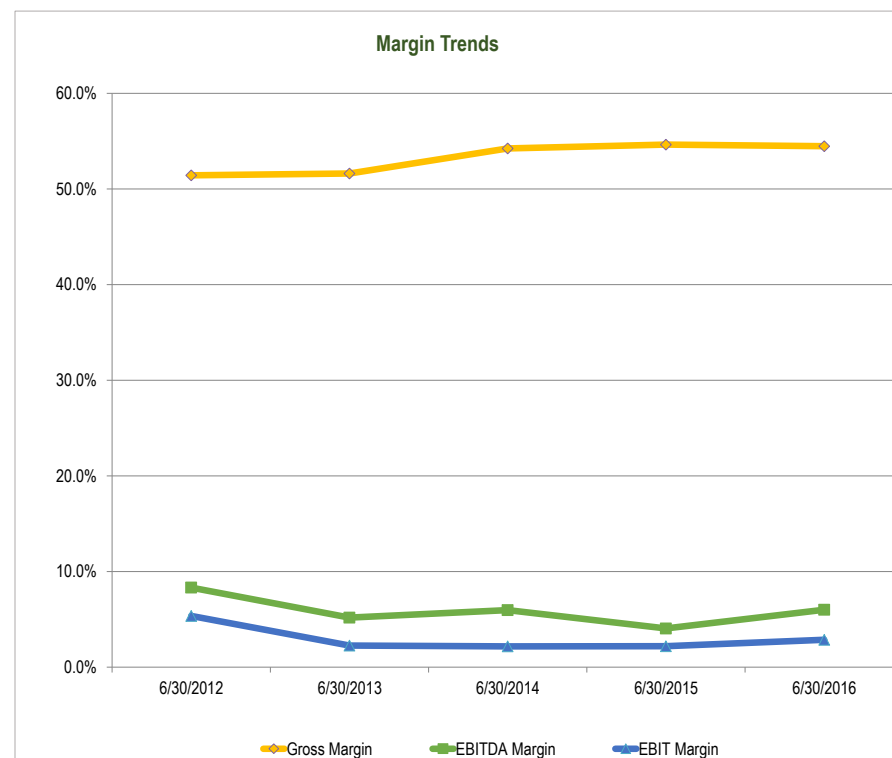
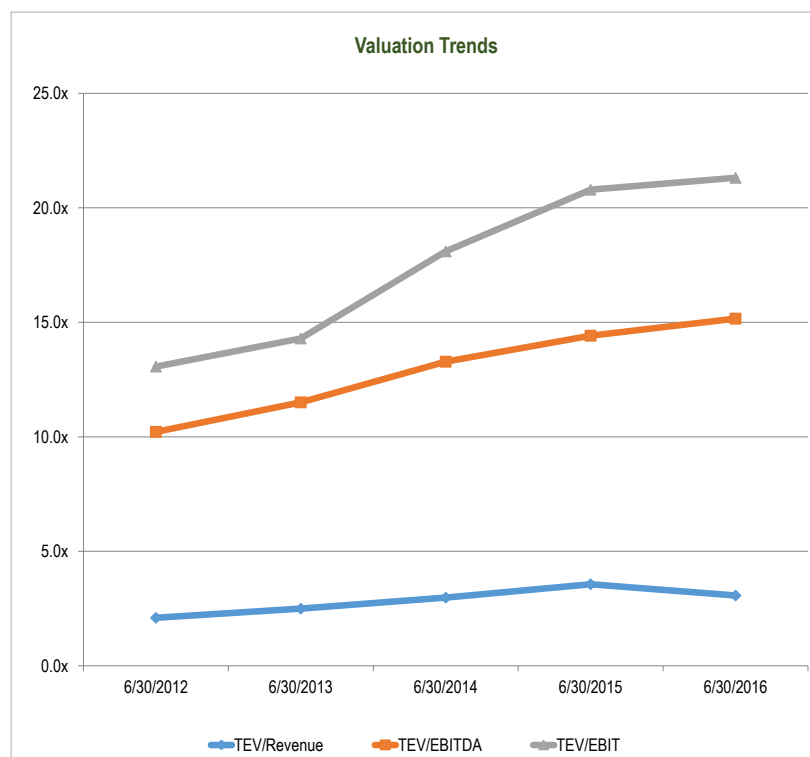
Equipment & Supplies - Manufacturing & Distribution

2nd Quarter 2016

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Enterprise				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	6/30/2016 Trends	
Average	\$4,100	4.9x	22.7x	23.0x	TEV/Revenue	↓
Median	\$301	3.1x	15.2x	21.3x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	6/30/2016 Trends	
Average	50.2%	-14.0%	-18.5%	Gross Margin	↓
Median	54.5%	6.0%	2.9%	EBITDA Margin	↑
				EBIT Margin	↑



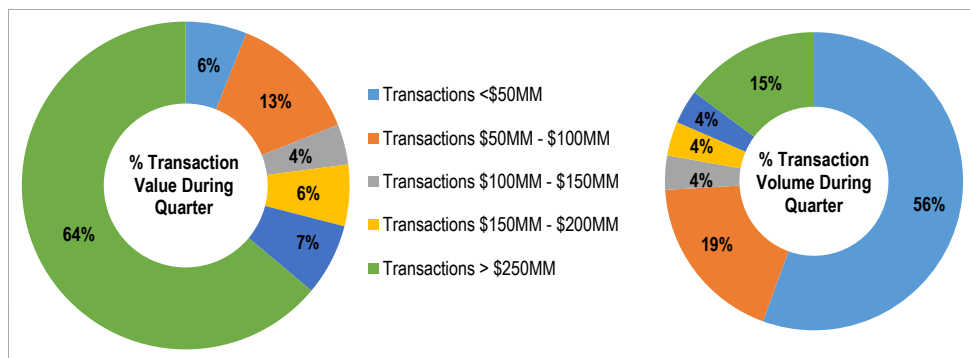
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	76
Number of Transactions with Disclosed Values	27
Transaction Value*	\$2,969.42
Average Transaction Value*	\$111.69
Median Transaction Value*	\$40.00

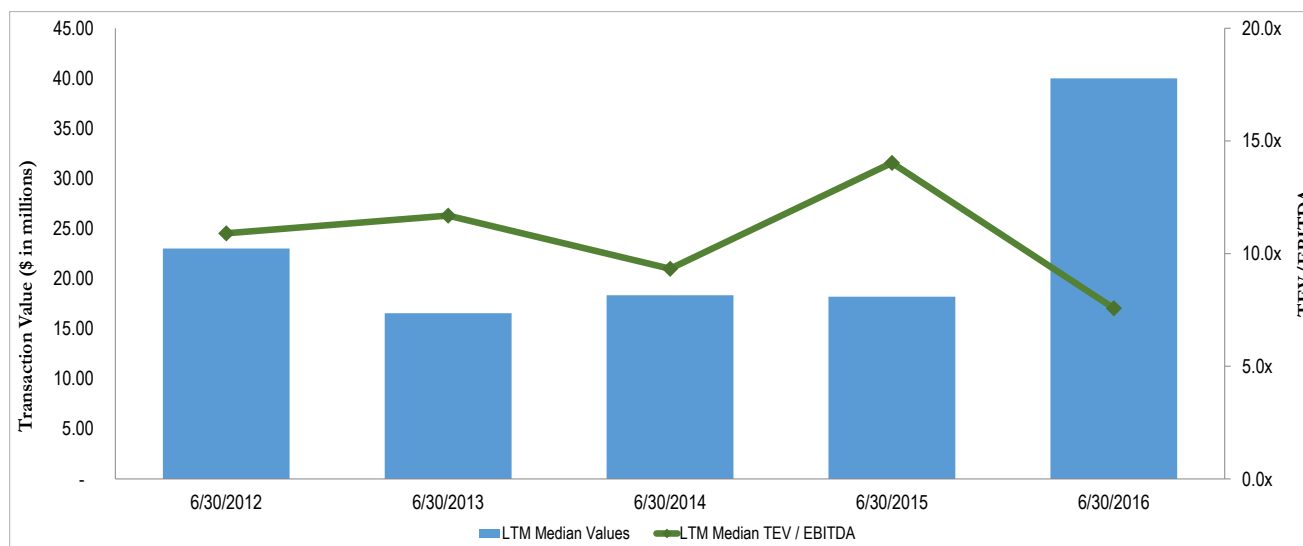
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

Transaction by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



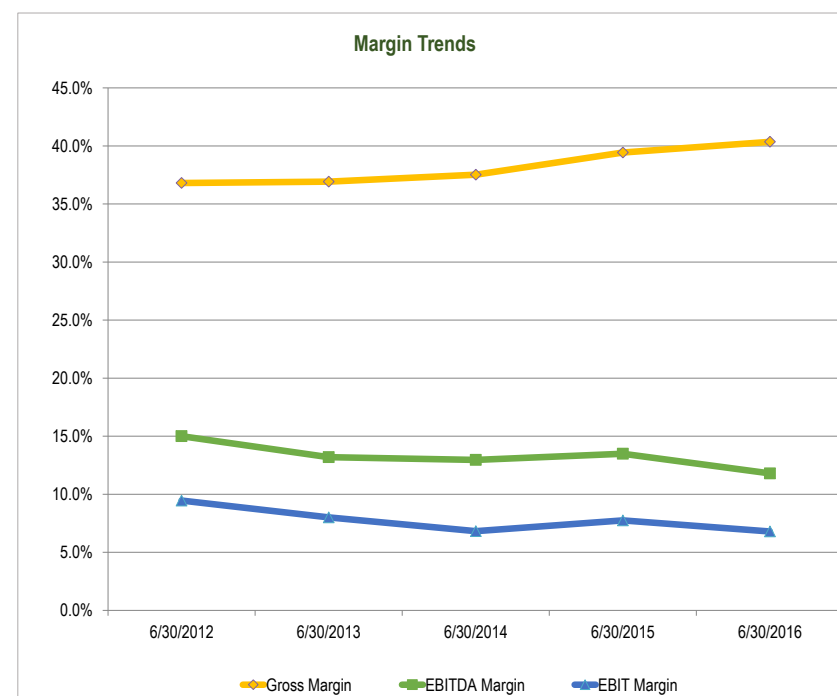
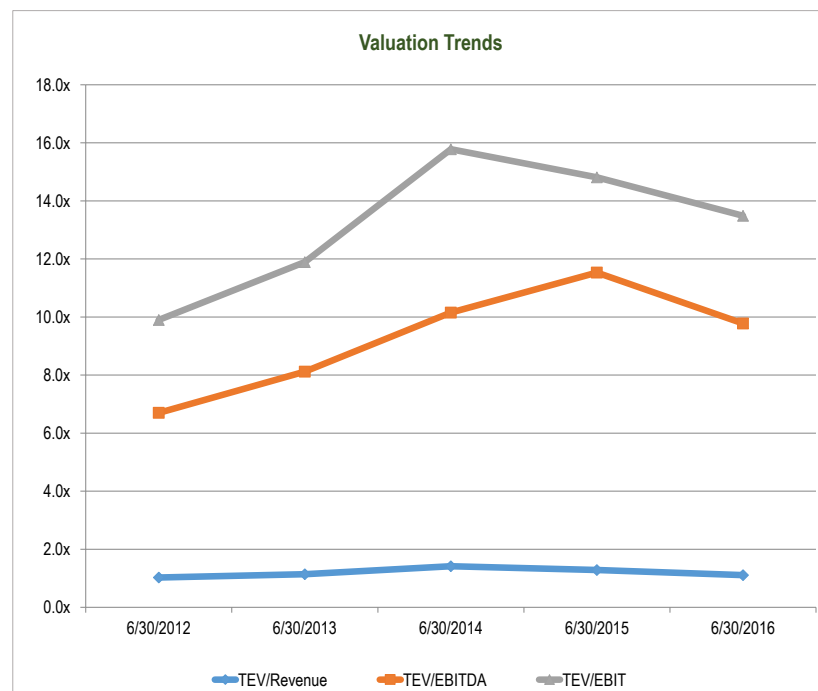
* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,077	1.9x	11.9x	18.8x	TEV/Revenue	↓
Median	\$1,042	1.1x	9.8x	13.5x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	39.4%	11.4%	5.3%	Gross Margin	↑
Median	40.4%	11.8%	6.8%	EBITDA Margin	↓
				EBIT Margin	↓



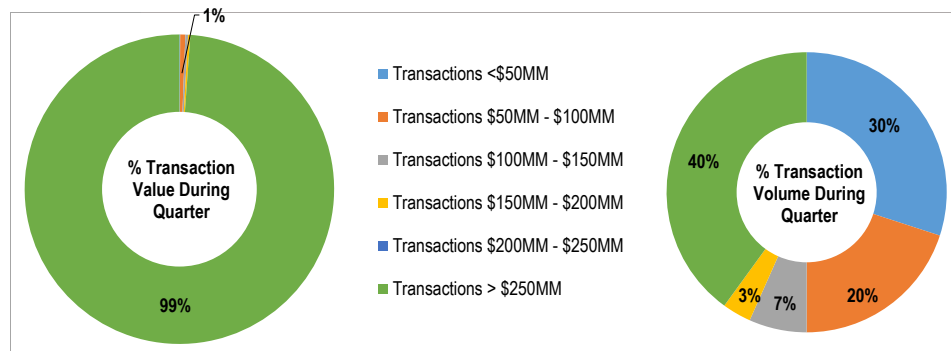
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	64
Number of Transactions with Disclosed Values	30
Transaction Value*	\$85,701.96
Average Transaction Value*	\$2,856.73
Median Transaction Value*	\$109.81

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

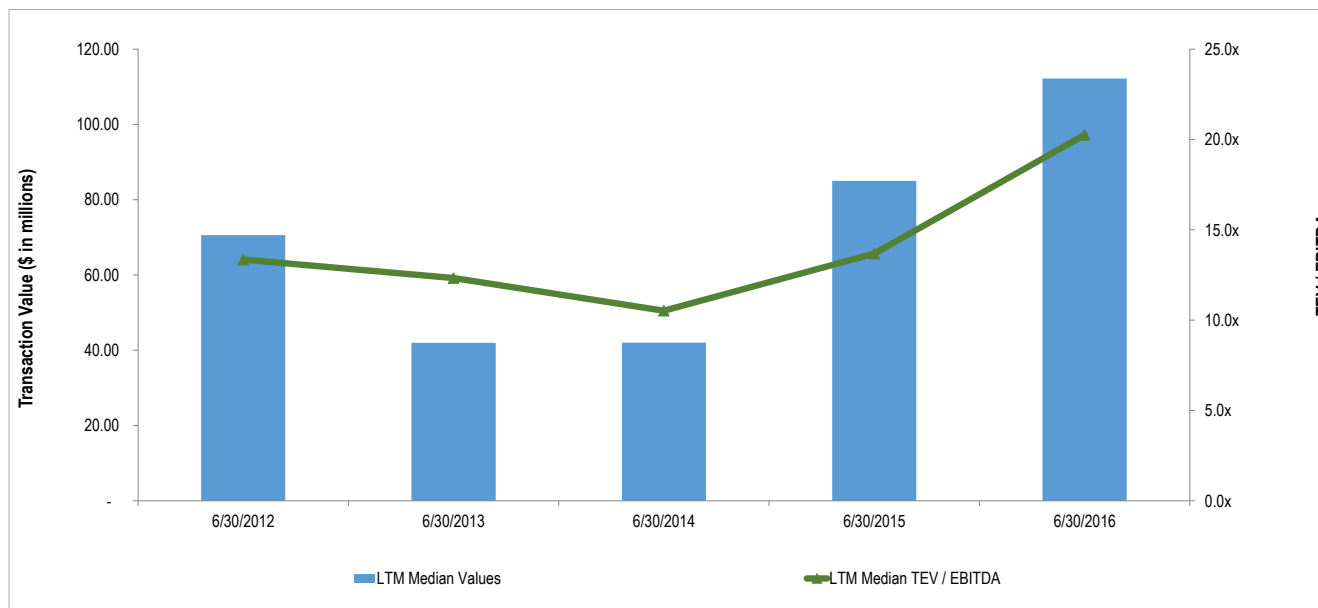
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



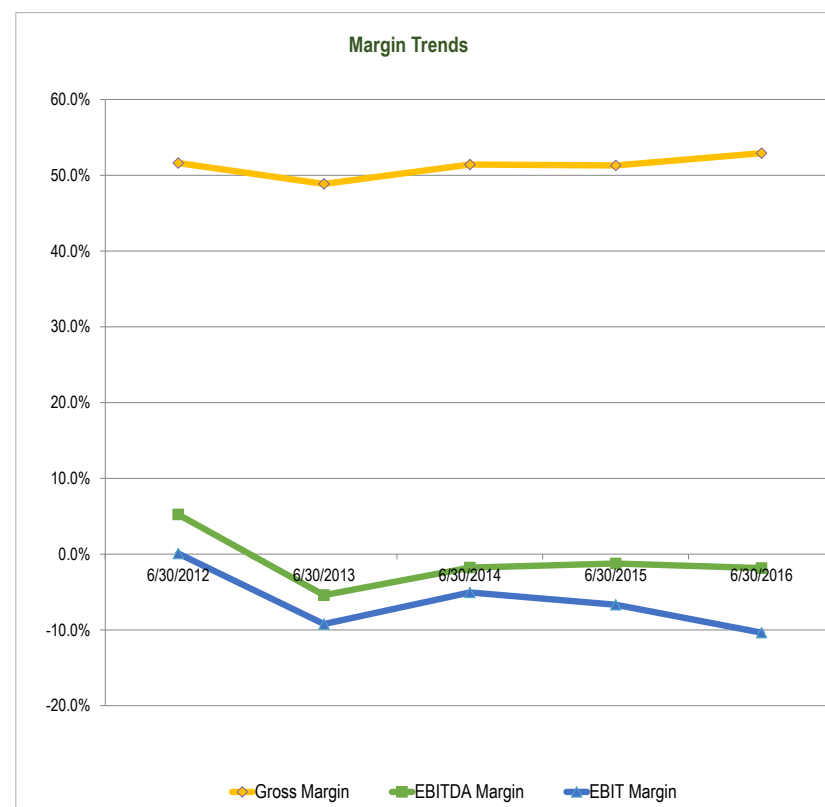
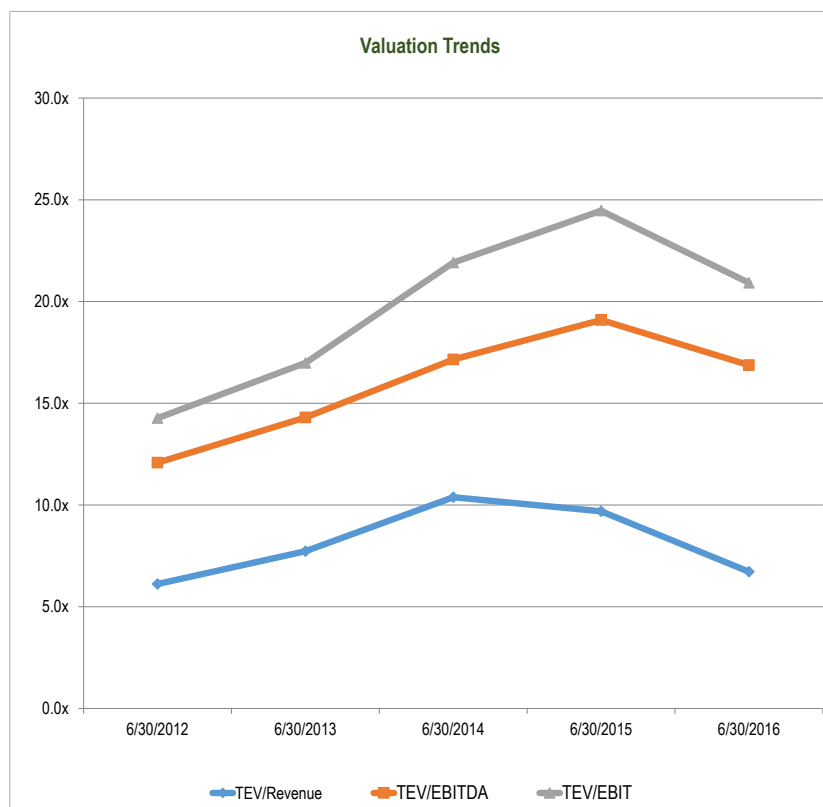
skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator c

Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,525	25.0x	28.3x	31.9x	TEV/Revenue	↓
Median	\$212	6.7x	16.9x	20.9x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	25.3%	-40.2%	-45.9%	Gross Margin	↑
Median	52.9%	-1.9%	-10.4%	EBITDA Margin	↓
				EBIT Margin	↓



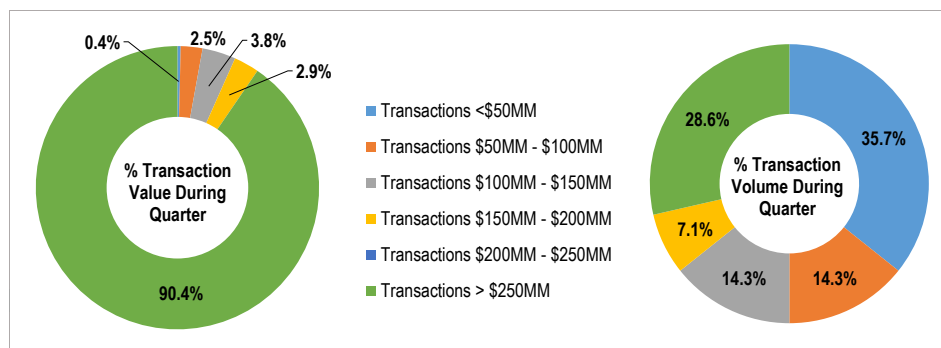
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	137
Number of Transactions with Disclosed Values	14
Transaction Value*	\$6,800.95
Average Transaction Value*	\$522.80
Median Transaction Value*	\$120.00

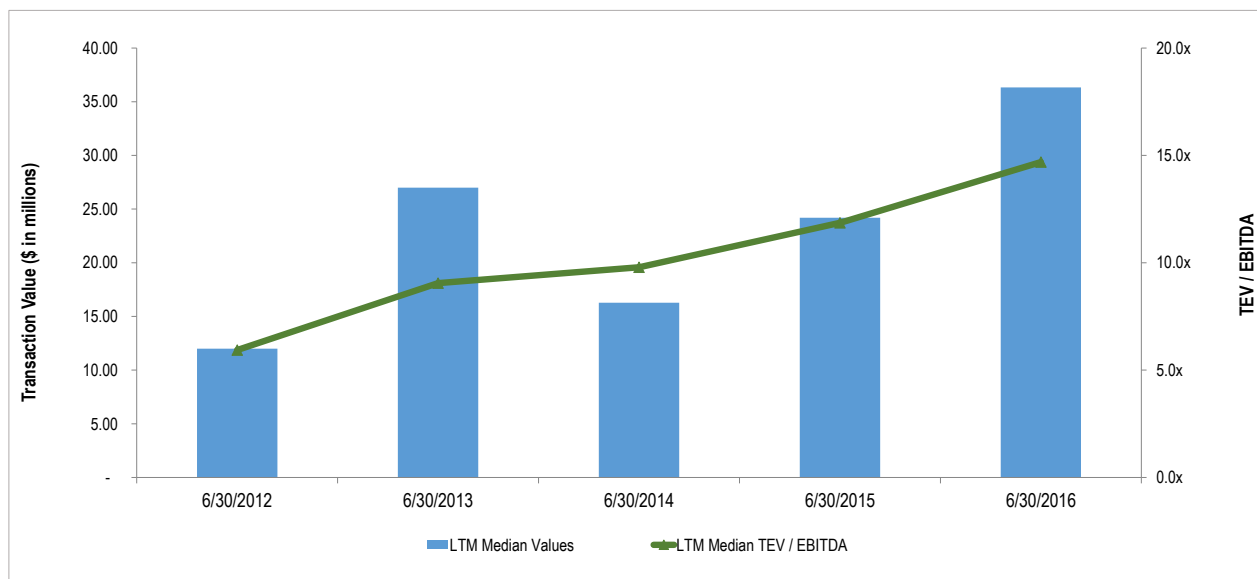
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



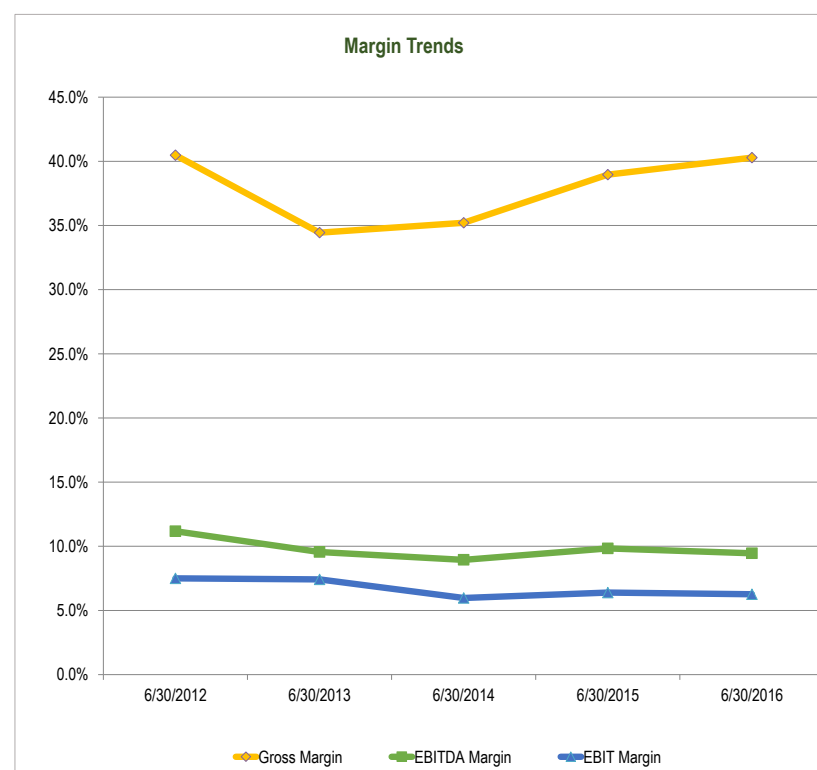
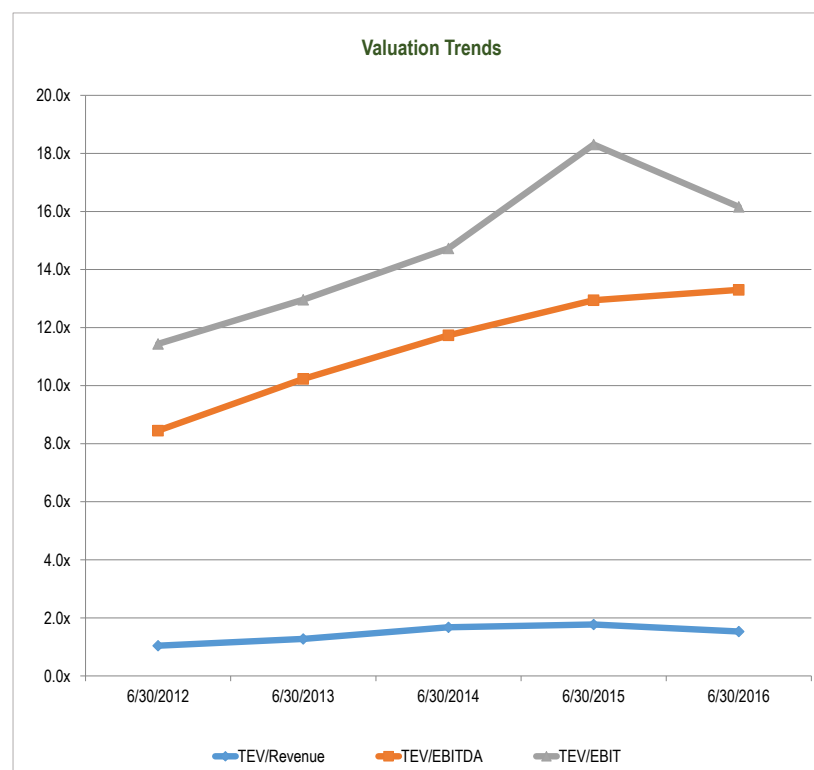
*skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator c

Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,070	2.6x	19.4x	22.5x	TEV/Revenue	↓
Median	\$849	1.5x	13.3x	16.2x	TEV/EBITDA	↑
					TEV/EBIT	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	41.5%	3.2%	-2.5%	Gross Margin	↑
Median	40.3%	9.5%	6.3%	EBITDA Margin	↓
				EBIT Margin	→



Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

Experienced in all market sectors, PCE has established several specialty practice areas:

- Aerospace & Defense
- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

PCE Investment Bankers, Inc - member FINRA & SIPC; PCE Valuations, LLC; PCE Advisory, LLC

Contact Us



Michael Poole

Direct: 407-621-2112
Main: 407-621-2100
mpoole@pcecompanies.com



David Jasmund

Direct: 407-621-2111
Main: 407-621-2100
djasmund@pcecompanies.com

PCE Locations

Orlando
Atlanta
Chicago
New York

Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed dates only.

Glossary

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization
LTM - Last Twelve Months
TEV - Total Enterprise Value