



PCE Industry Report

Healthcare



Middle Market M&A Summary

Healthcare

3rd Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$6.6 billion.
 - The largest transaction was the acquisition of Allergan plc by TEVA Pharmaceutical Industries for \$40.3 billion.
 - The smallest transaction was the acquisition of Sorrento Therapeutics by LES Laboratoires Servier for \$978.4 million.
- The public company industry median TEV/Revenue multiple is 2.2x.
- The public company industry median TEV/EBITDA multiple is 22.5x.

Key Trends

- Artificial Intelligence systems are projected to be involved in everything from population health management to digital avatars capable of answering specific patient queries. Equity funding to support growth in this industry continues to increase.¹
- Social, Mobile, Analytics, and Cloud (SMAC) technologies have the increasing potential to reduce healthcare costs, streamline network efficiencies, improve care quality and demonstrate patient value. These technologies will become widely available in the coming years. Despite significant challenges associated with these technologies including digital tracking liability, this market is receiving significant interest for investment by private equity capital.²
- ICD-10 payment reform is driving software leaders and healthcare providers to partner in an effort to help reduce or control costs and improve patient care quality.³
- The shifting trend in healthcare from volume to value outcomes continues to be the driving trend affecting the industry. By 2018, federal mandates will link 90% of Medicare payments to quality outcomes.³
- Q3 2016 has seen five healthcare related IPOs. The largest valuation came from Medpace Holdings which was valued at \$161 million.⁴
- The demand for in home services will continue to remain high with expected revenue growing at an annualized rate of 6.7% from 2016 - 2021.

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

¹"From Virtual Nurses to Drug Discovery: 90+ Artificial Intelligence Startups in Healthcare" CB Insights, August 31, 2016

²"Improving Healthcare Efficiency with SMAC Technologies" Deloitte Analysis, 2016

³Surviving Seismic Change: Winning a piece of the \$5 trillion US Health Ecosystem"PwC, September 2016

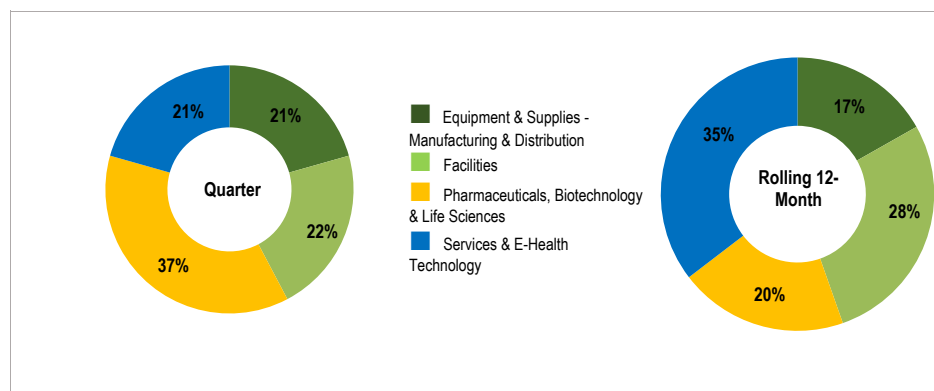
⁴IPOScoop, October 2016

Industry Trends During Quarter

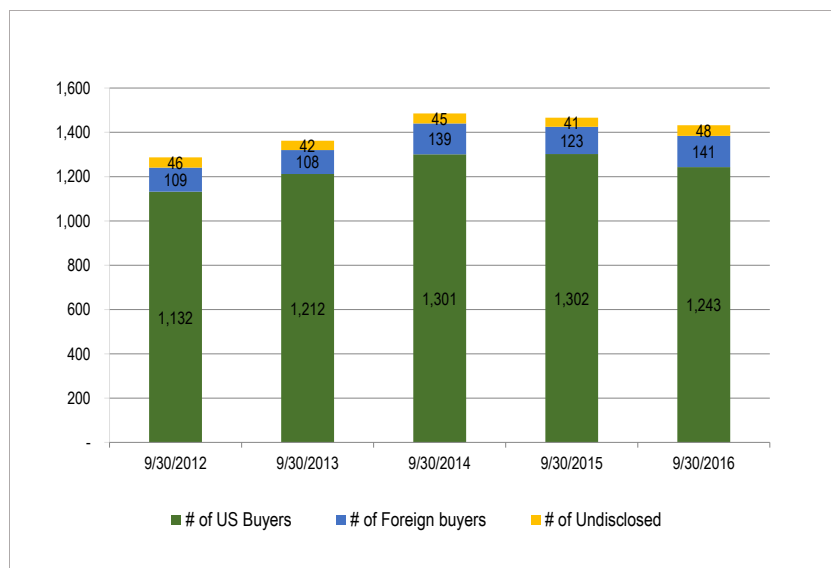
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Equipment & Supplies - Manufacturing & Distribution	↓	↑	↓
Facilities	↓	↑	↓
Pharmaceuticals, Biotechnology & Life Sciences	↓	↓	↓
Services & E-Health Technology	↓	↓	↑

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

Transaction Volume as % of Industry



Rolling 12-Month Transaction Volume Trends by Buyer Origin



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

Sector	Target	Buyer	Transaction Value
Equipment & Supplies - Manufacturing & Distribution	Allergan plc	Teva Pharmaceutical Industries	\$40,279.0
Pharmaceuticals, Biotechnology & Life Sciences	Medivation, Inc.	Pfizer Inc.	\$14,330.9
Services & E-Health Technology	ExamWorks Group, Inc.	Leonard Green & Partners, L.P.	\$2,021.3
Pharmaceuticals, Biotechnology & Life Sciences	Relypsa, Inc.	Vifor Pharma Ltd.	\$1,687.4
Facilities	Life Science and Medical Real Estate Assets	Ventas, Inc.	\$1,571.0
Pharmaceuticals, Biotechnology & Life Sciences	Celator Pharmaceuticals, Inc.	Jazz Pharmaceuticals Public Limited Company	\$1,538.9
Pharmaceuticals, Biotechnology & Life Sciences	Afferent Pharmaceuticals, Inc.	Merck & Co., Inc.	\$1,250.0
Equipment & Supplies - Manufacturing & Distribution	LDR Holding Corporation	Zimmer Biomet Holdings	\$1,146.6
Equipment & Supplies - Manufacturing & Distribution	Heartware International Inc.	Medtronic, Inc.	\$1,099.4
Pharmaceuticals, Biotechnology & Life Sciences	Sorrento Therapeutics, Inc.	LES LABORATOIRES SERVIER SAS	\$978.4

Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data

Equipment & Supplies - Manufacturing & Distribution

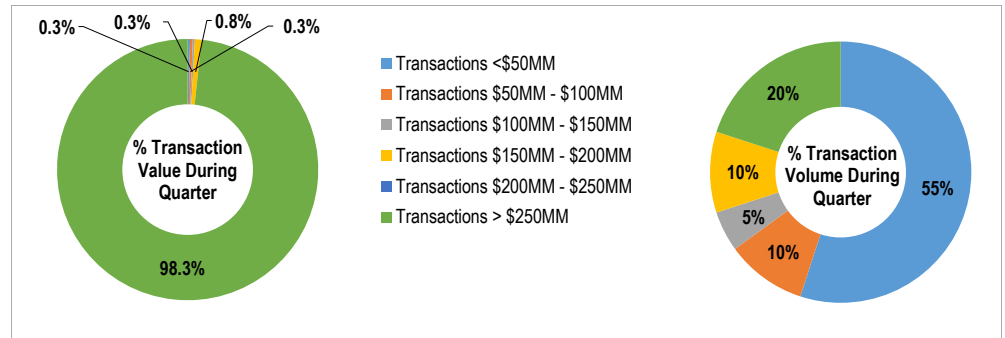
3rd Quarter 2016

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

Transaction Volume	48
Number of Transactions with Disclosed Values	20
Transaction Value*	\$43,649.58
Average Transaction Value*	\$2,182.48
Median Transaction Value*	\$23.63

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

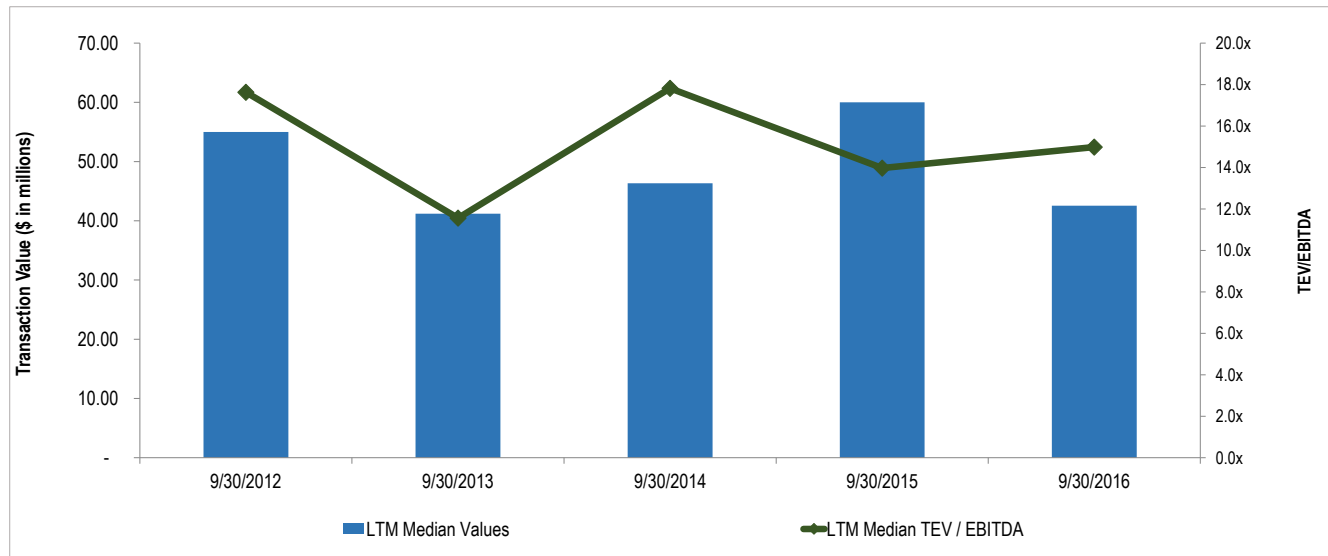
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data

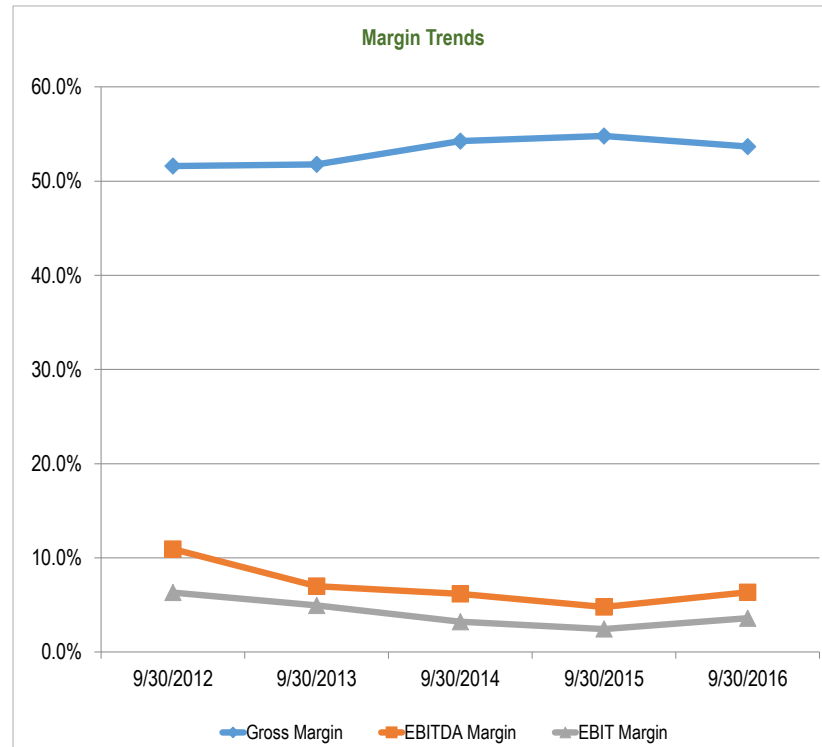
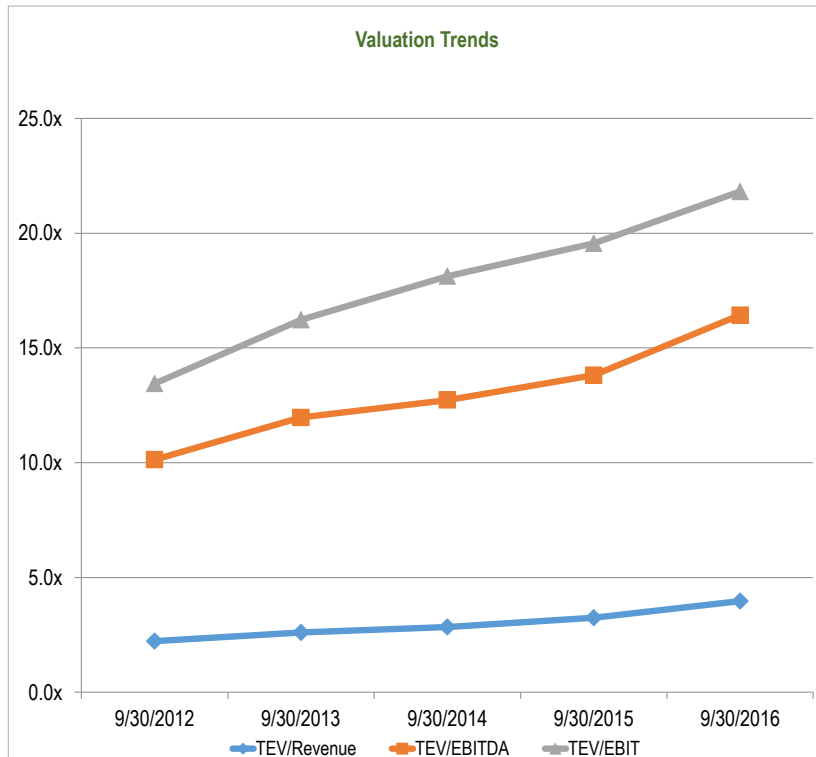
Equipment & Supplies - Manufacturing & Distribution

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,043	5.8x	22.8x	30.4x	TEV/Revenue	↑
Median	\$349	4.0x	16.4x	21.8x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	48.7%	-14.5%	-19.4%	Gross Margin	↓
Median	53.7%	6.3%	3.6%	EBITDA Margin	↑
				EBIT Margin	↑



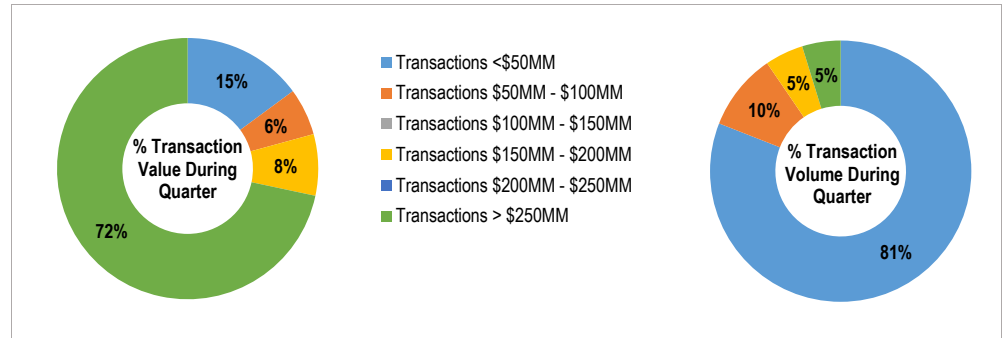
Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data

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

Transaction Volume	54
Number of Transactions with Disclosed Values	21
Transaction Value*	\$2,192.32
Average Transaction Value*	\$104.40
Median Transaction Value*	\$17.80

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

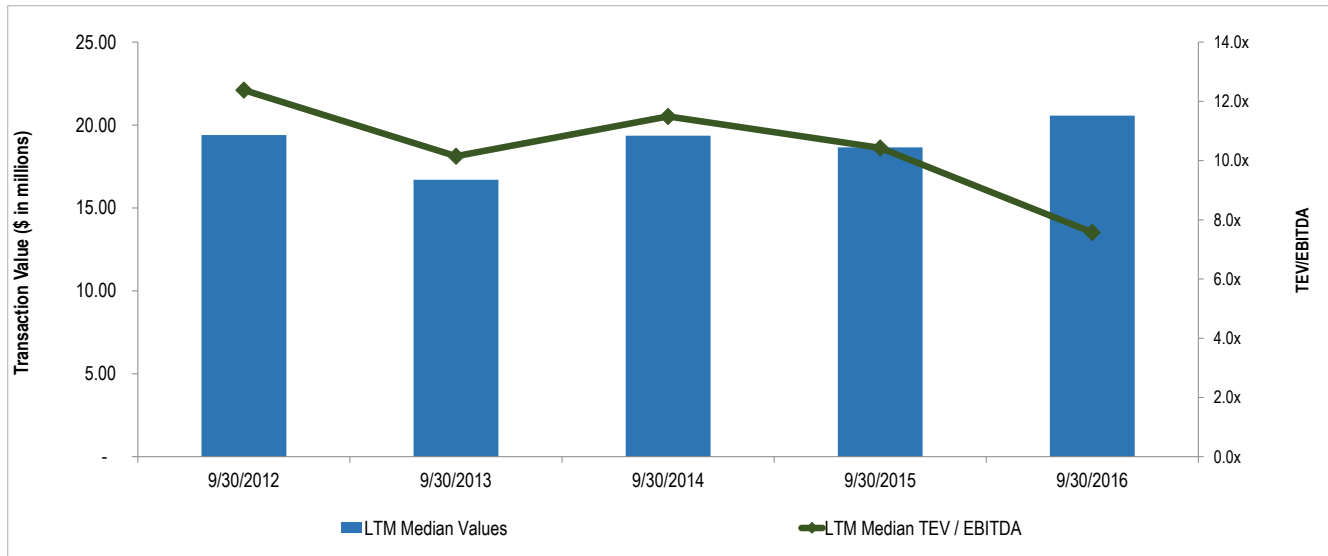
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

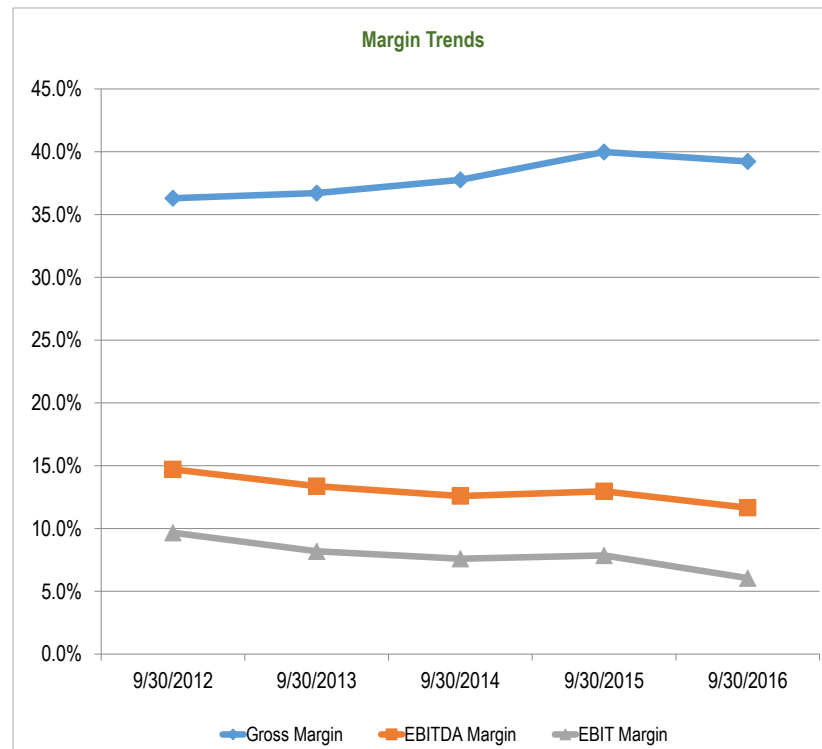
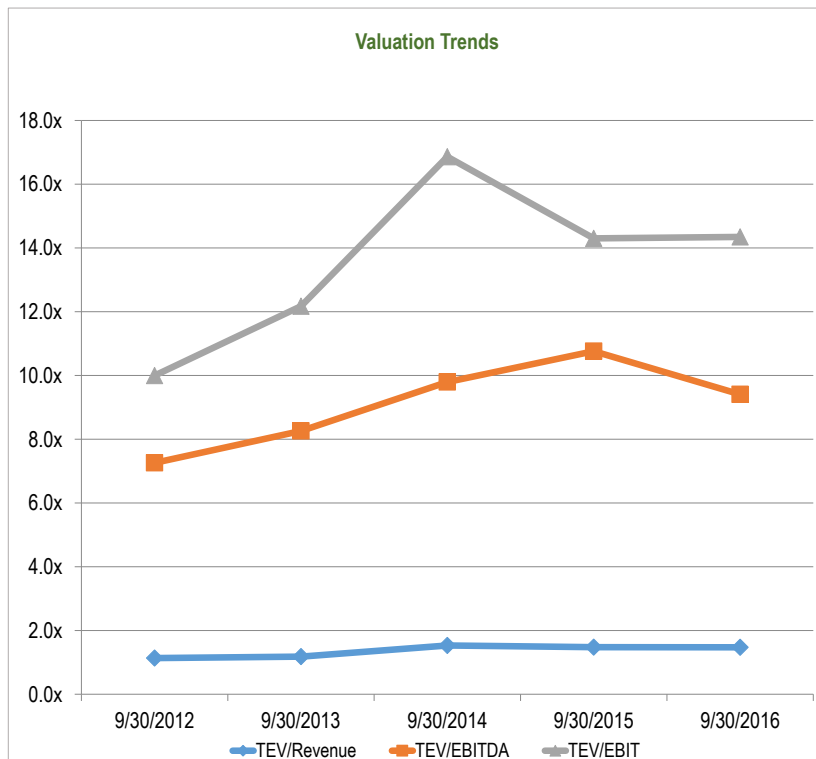


Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,932	1.8x	11.0x	18.3x	TEV/Revenue	↓
Median	\$1,018	1.5x	9.4x	14.3x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	38.6%	11.6%	5.7%	Gross Margin	↓
Median	39.2%	11.7%	6.1%	EBITDA Margin	↓
				EBIT Margin	↓



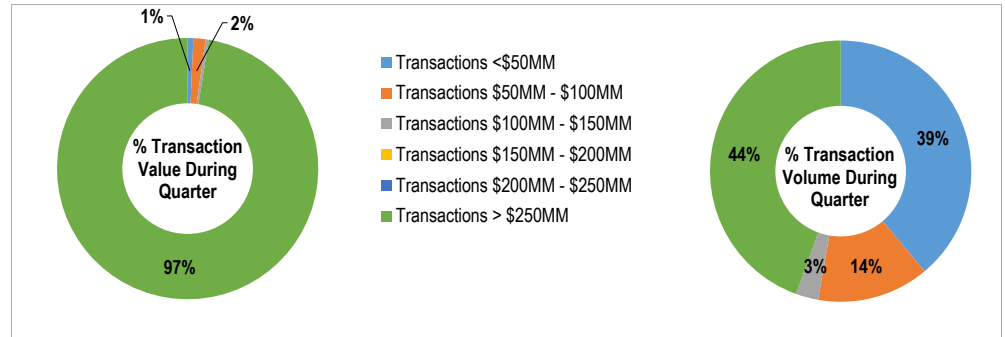
Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data

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

Transaction Volume	55
Number of Transactions with Disclosed Values	36
Transaction Value*	\$25,749.89
Average Transaction Value*	\$715.27
Median Transaction Value*	\$92.66

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

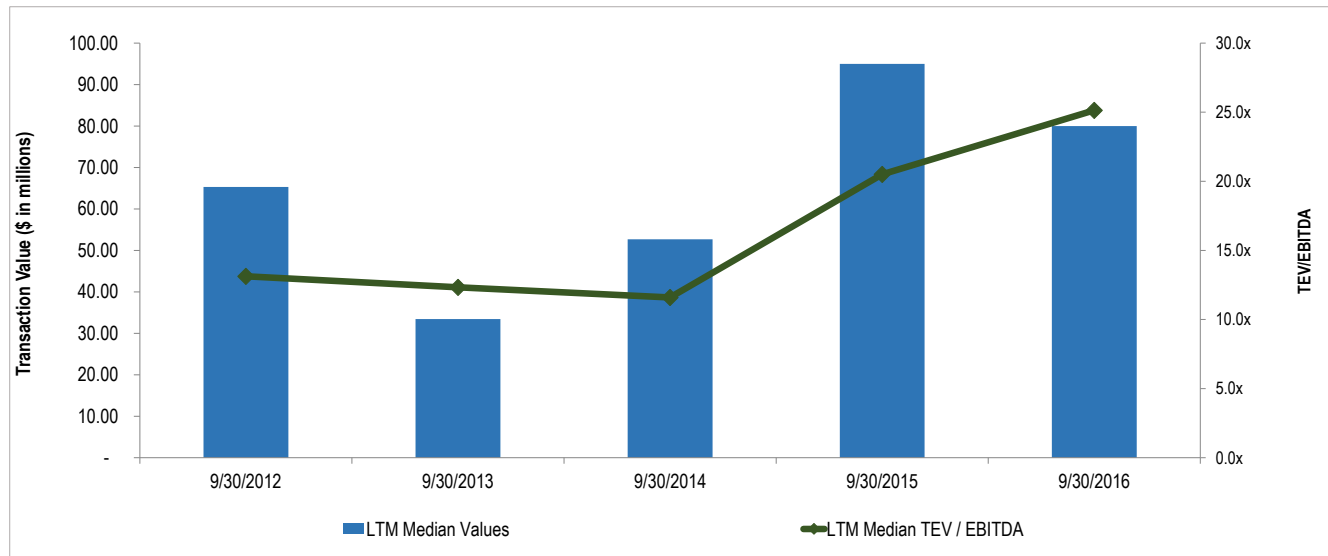
Transactions by Value & Volume



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Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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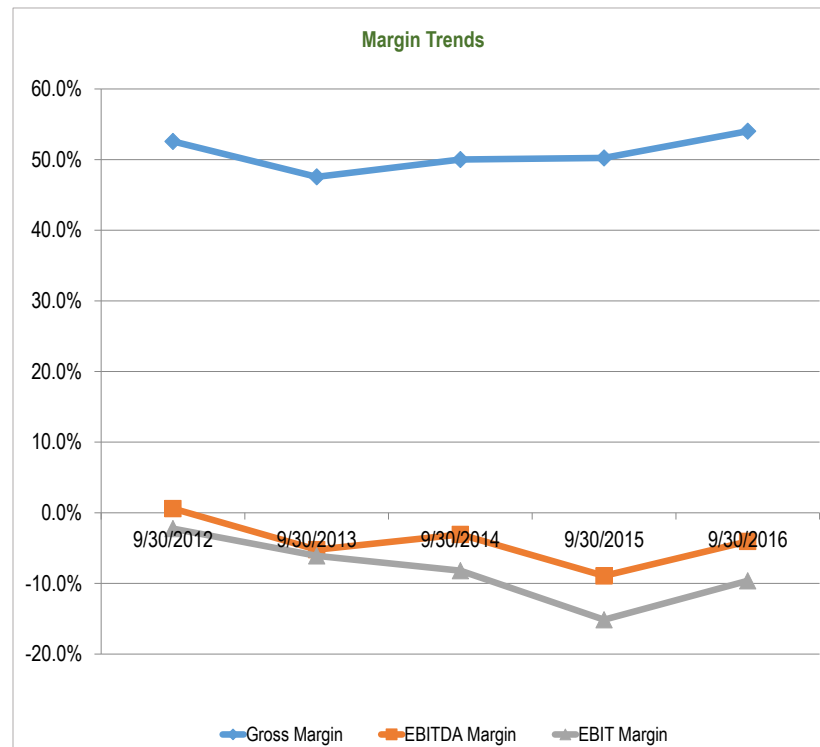
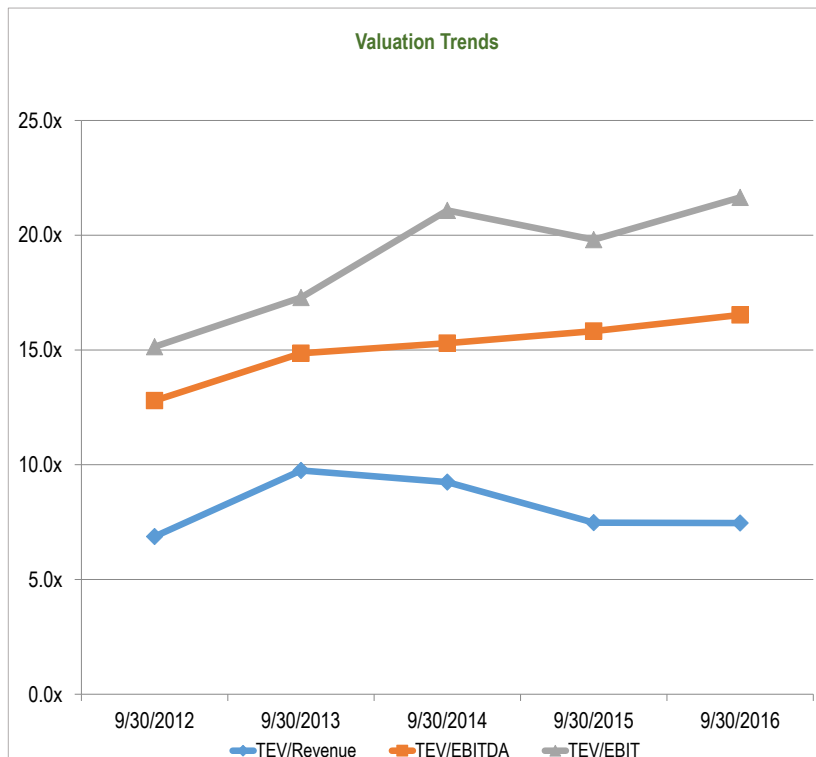
Pharmaceutical, Biotechnology & Life Sciences

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,385	28.2x	25.5x	33.9x	TEV/Revenue	↓
Median	\$266	7.5x	16.5x	21.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	31.0%	-47.3%	-52.3%	Gross Margin	↑
Median	54.0%	-4.0%	-9.6%	EBITDA Margin	↑
				EBIT Margin	↑



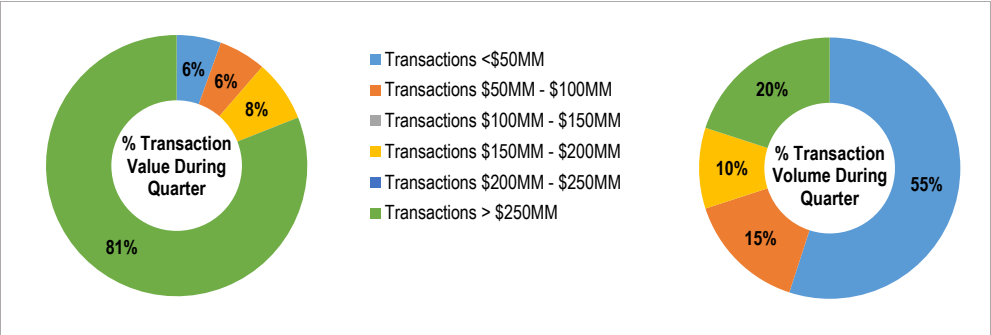
Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data

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

Transaction Volume	123
Number of Transactions with Disclosed Values	20
Transaction Value*	\$4,014.15
Average Transaction Value*	\$200.71
Median Transaction Value*	\$44.65

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

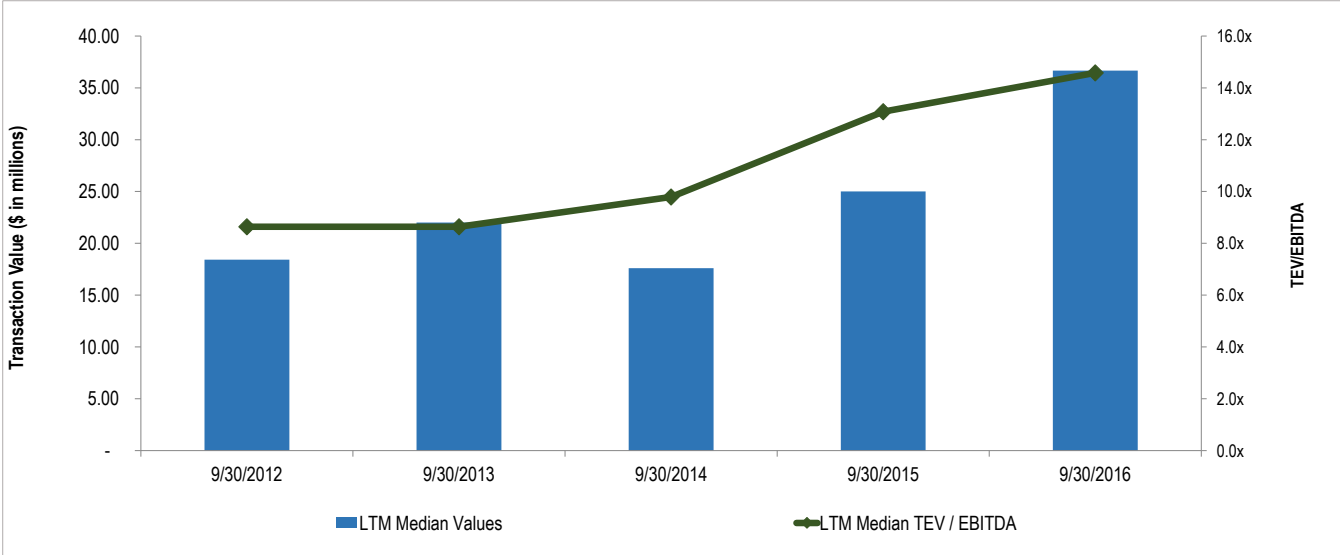
Transactions by Value & Volume



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Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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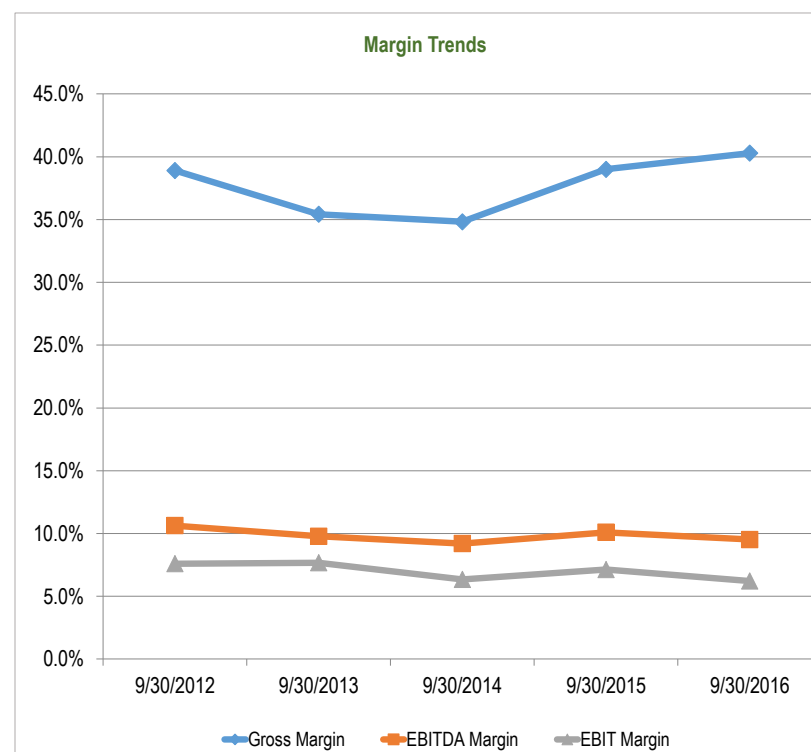
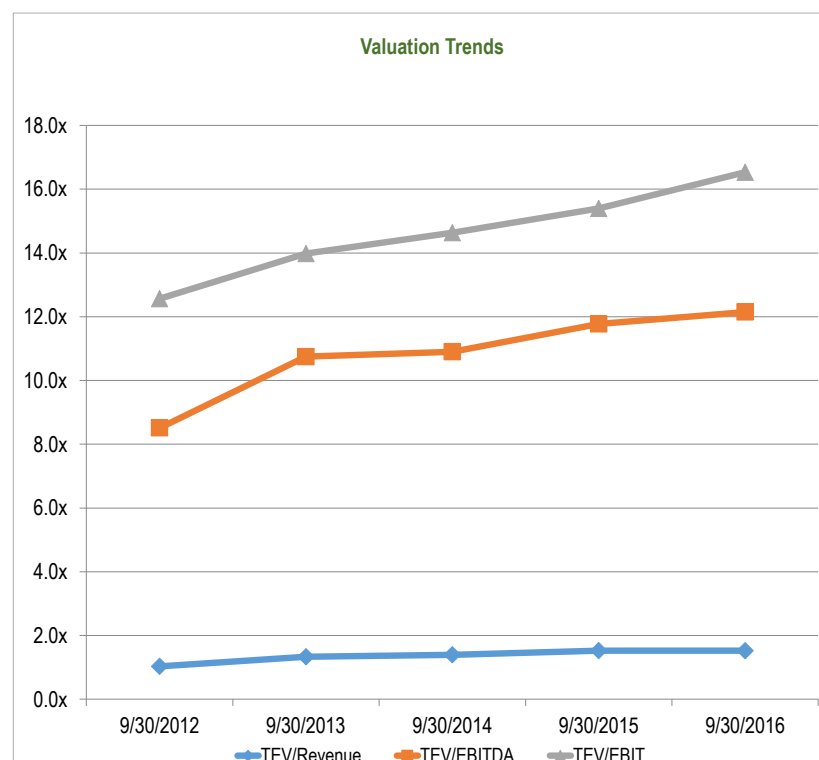
Services E-Health Technology

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,932	2.8x	17.6x	27.6x	TEV/Revenue	↓
Median	\$721	1.5x	12.1x	16.5x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	41.1%	3.0%	-2.8%	Gross Margin	↑
Median	40.3%	9.5%	6.2%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 10/17/2016 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.

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- 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

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- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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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