



PCE Industry Report

Healthcare



Middle Market M&A Summary

Healthcare

1st Quarter 2017

Key Highlights

- The average value of the top ten transactions was \$5.9 billion.
 - The largest transaction was the acquisition of St. Jude Medical Inc. by Abbott Laboratories Industries for \$30.1 billion.
 - The smallest transaction was the acquisition of Vascular Solutions Inc. by Teleflex Incorporated for \$1.0 billion.
- The public company industry median TEV/Revenue multiple is 2.7x.
- The public company industry median TEV/EBITDA multiple is 14.5x.

Key Trends

- New advances in research for cancer immunotherapies encourage big and small firms to participate in the race for these new personalized cancer treatment. Analysts expect the global market for cancer immunotherapies to reach \$40 billion a year by 2025.¹
- The newly elected federal government poses an uncertain future for the healthcare industry. The two leading issues are the executive order attempting to ban immigrants and the attempts to repeal the Affordable Care Act (Obamacare). Approximately 7,000 physicians (who treat 14 million patients) currently practicing in the US are from the six banned Muslim countries.²
- Healthcare businesses experienced one of the highest gains in new payroll among US industries in 2017. In February, this sector added 38,100 of the 242,000 jobs added. Moreover, healthcare is expected to become the largest job sector in the next three years, and one out of every five dollars in spending is projected to go into healthcare services due to the changes in demographics of the US population.³
- Generation sequencing is a thriving market as the Food and Drug Administration has recently allowed selling of genetic tests for disease risks such as Parkinson and Alzheimer. These test kits provide more privacy and efficiency in diagnosing patients.⁴
- Technology is increasingly being introduced in healthcare, making services more personal. Patients can expect to have a wristwatch to monitor heart attacks, strokes, and to unlock medical records using their own heartbeats. Moreover, mobile apps to treat diabetes leveraging personal glucose level data are in development. These technologies answer the need for personalized, high-quality, and highly secured home-based care of an aging US population.⁵

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

¹ www.wsj.com - Race Tightens for Next Wave of Cancer Drugs - March 2017

² www.healthcarefinancenews.com - Physicians from banned countries boost healthcare workforce... - March 2017

³ www.marketwatch.com - U.S. jobs growth slumps to 98,000 in March - April 2017

⁴ www.nytimes.com - F.D.A. Will Allow 23andMe to Sell Genetic Tests for Disease Risk to Consumers - April 2017

⁵ www.sciencedaily.com - Heartbeat could be used as password to access electronic health records - January 2017

Industry Trends During Quarter

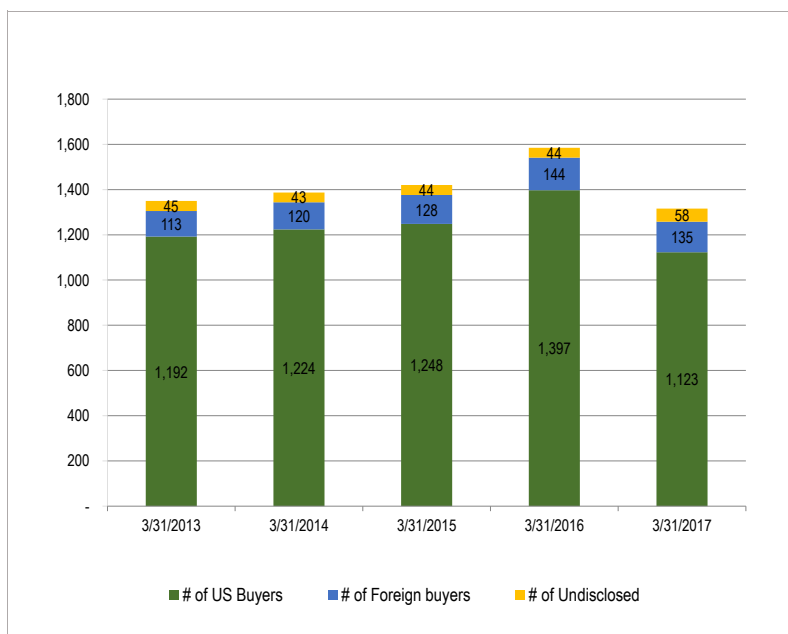
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Equipment & Supplies - Manufacturing & Distribution	↓	↑	↑
Facilities	↓	↓	↑
Pharmaceuticals, Biotechnology & Life Sciences	↑	↑	↑
Services & E-Health Technology	↑	↓	↓

* 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



Source: S&P Capital IQ as of 4/24/2017 and PCE Proprietary Data

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

Sector	Target	Buyer	Transaction Value
Equipment & Supplies - Manufacturing & Distribution	St. Jude Medical, Inc.	Abbott Laboratories	\$30,174.8
Services & E-Health Technology	Team Health Holdings, Inc.	Tennessee Parent, Inc.	\$6,037.0
Pharmaceuticals, Biotechnology & Life Sciences	ARIAD Pharmaceuticals, Inc.	Takeda Pharmaceuticals U.S.A., Inc.	\$5,453.7
Equipment & Supplies - Manufacturing & Distribution	Abbott Medical Optics Inc.	Chace LLC	\$4,325.0
Facilities	SCAI Holdings, LLC	Optum, Inc.	\$4,294.7
Pharmaceuticals, Biotechnology & Life Sciences	LifeCell Corporation	Allergan plc	\$2,900.0
Equipment & Supplies - Manufacturing & Distribution	Hologic, Inc., Nucleic Acid Testing Donor Screening Business	Grifols Diagnostic Solutions Inc.	\$1,850.0
Equipment & Supplies - Manufacturing & Distribution	Cynosure, Inc.	Hologic, Inc.	\$1,679.5
Equipment & Supplies - Manufacturing & Distribution	Hospira Inc., Infusion Systems Business	ICU Medical, Inc.	\$1,050.0
Equipment & Supplies - Manufacturing & Distribution	Vascular Solutions, Inc.	Teleflex Incorporated	\$1,031.0

Equipment & Supplies - Manufacturing & Distribution

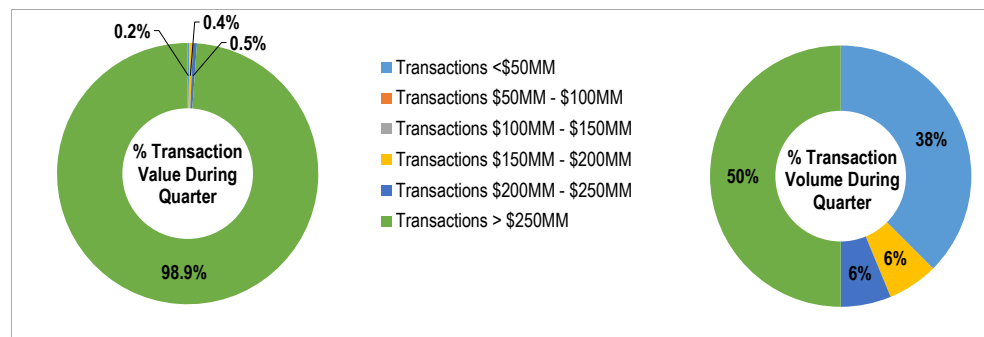
1st Quarter 2017

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

Transaction Volume	45
Number of Transactions with Disclosed Values	16
Transaction Value*	\$41,289.39
Average Transaction Value*	\$2,580.59
Median Transaction Value*	\$265.69

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

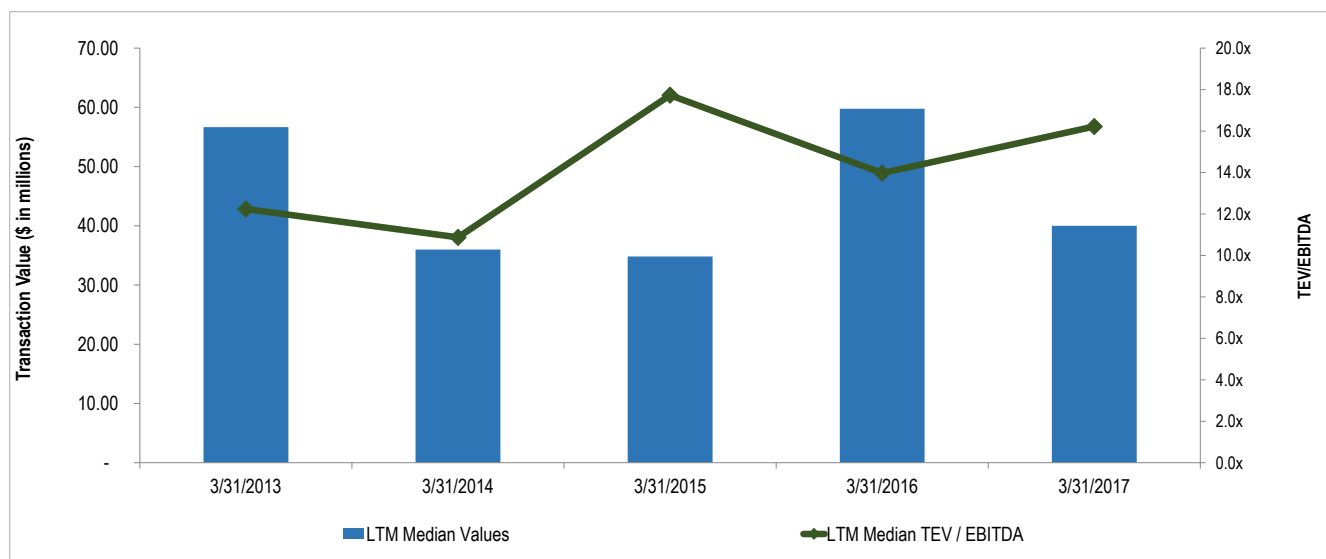
Transactions by Value & Volume



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 4/24/2017 and PCE Proprietary Data



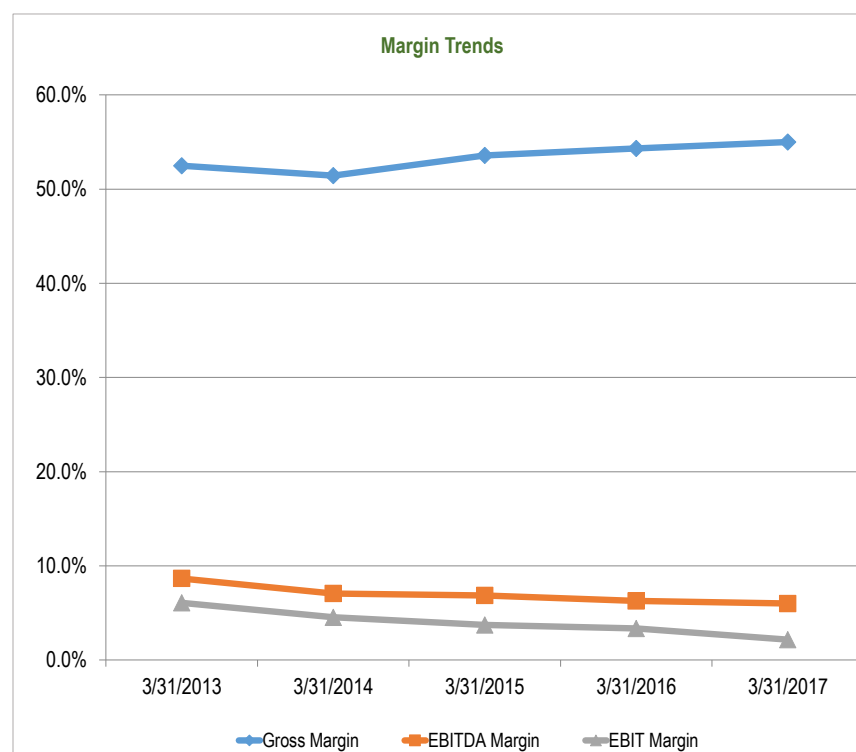
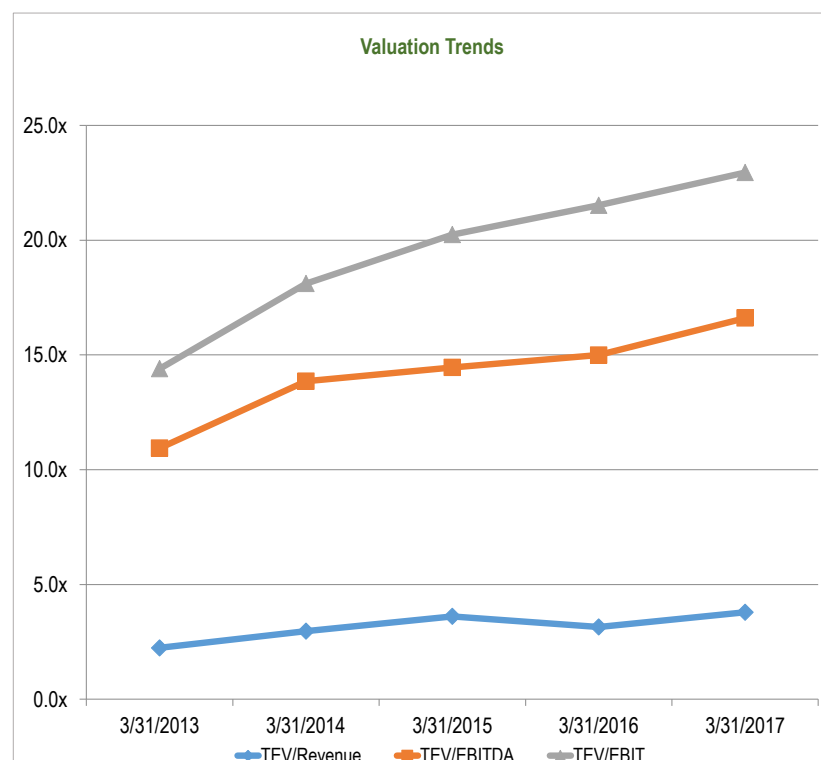
Equipment & Supplies - Manufacturing & Distribution

1st Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,243	6.8x	31.4x	31.1x	TEV/Revenue	↑
Median	\$386	3.8x	16.6x	22.9x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	48.2%	-15.8%	-20.7%	Gross Margin	↑
Median	55.0%	6.0%	2.2%	EBITDA Margin	↓
				EBIT Margin	↓

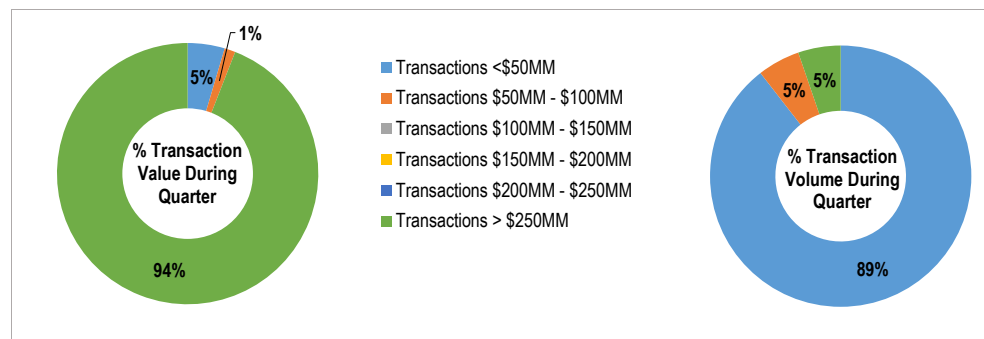


Source: S&P Capital IQ as of 4/24/2017 and PCE Proprietary Data

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

Transaction Volume	64
Number of Transactions with Disclosed Values	19
Transaction Value*	\$4,565.48
Average Transaction Value*	\$240.29
Median Transaction Value*	\$13.90
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

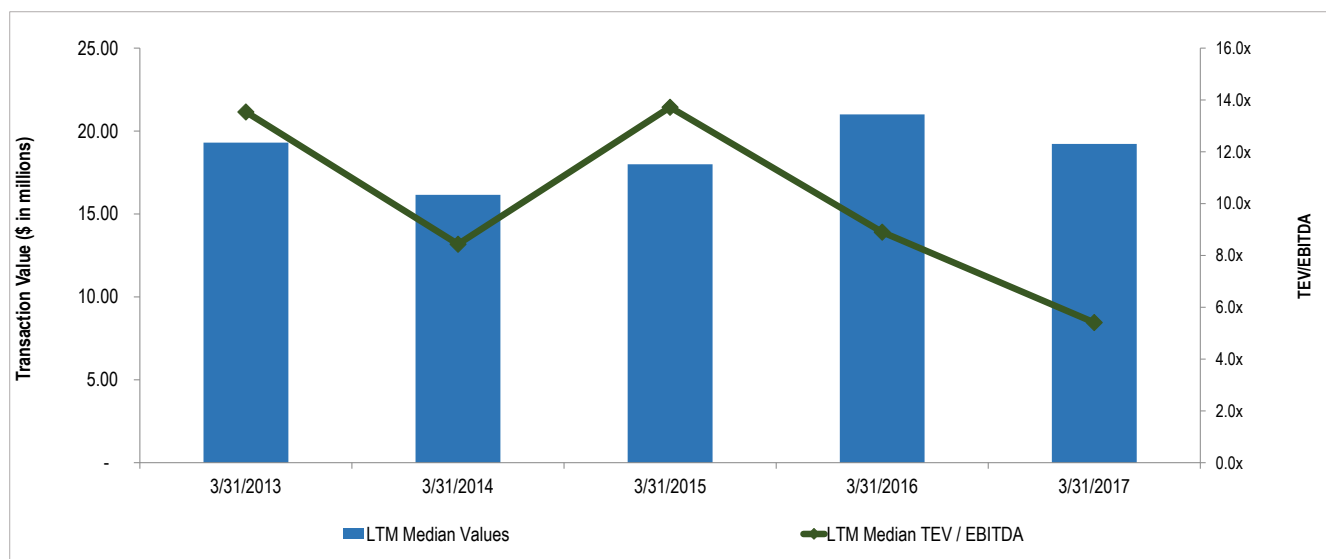
Transactions by Value & Volume



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 4/24/2017 and PCE Proprietary Data



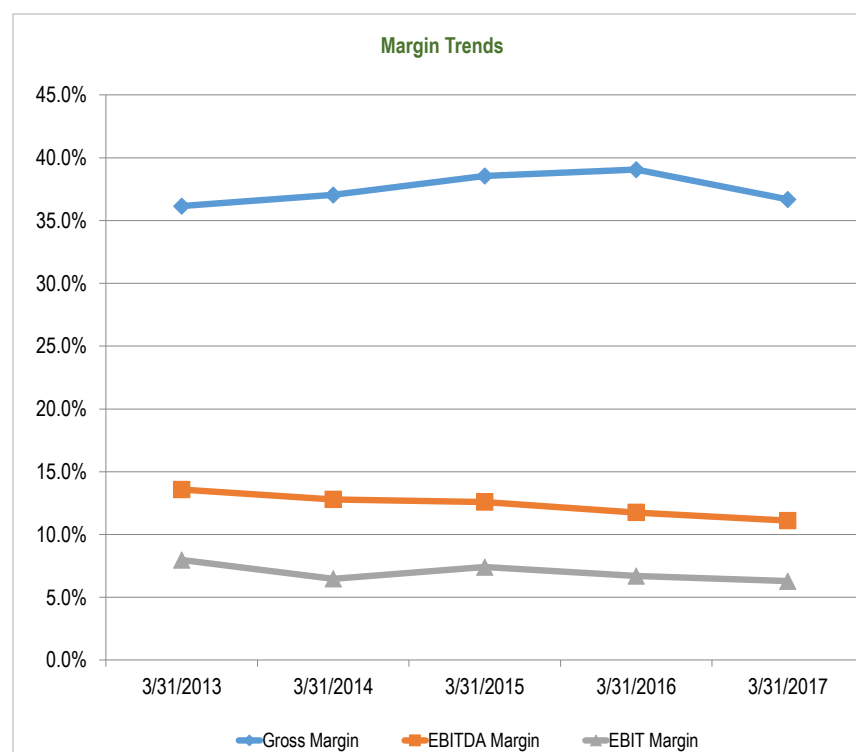
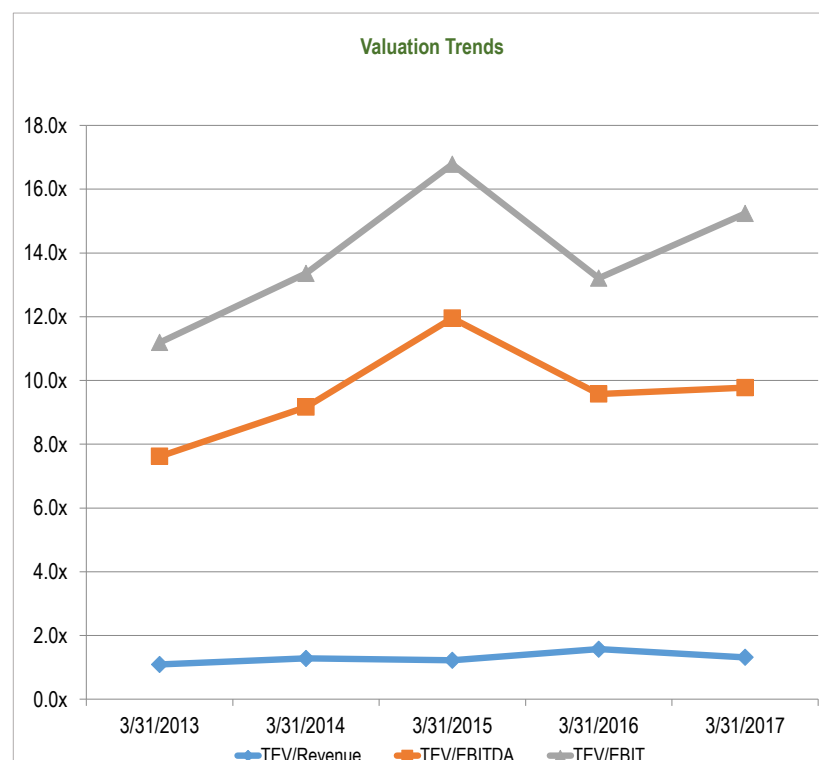
Facilities

1st Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,035	1.6x	10.6x	24.8x	TEV/Revenue	↓
Median	\$902	1.3x	9.8x	15.2x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	38.0%	11.3%	5.4%	Gross Margin	↓
Median	36.7%	11.1%	6.3%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/24/2017 and PCE Proprietary Data

Pharmaceutical, Biotechnology & Life Sciences

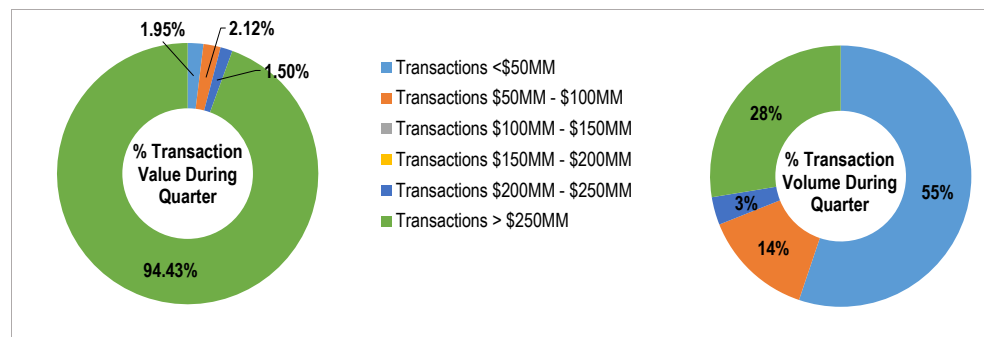
1st Quarter 2017

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

Transaction Volume	61
Number of Transactions with Disclosed Values	29
Transaction Value*	\$13,560.04
Average Transaction Value*	\$467.59
Median Transaction Value*	\$48.50

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

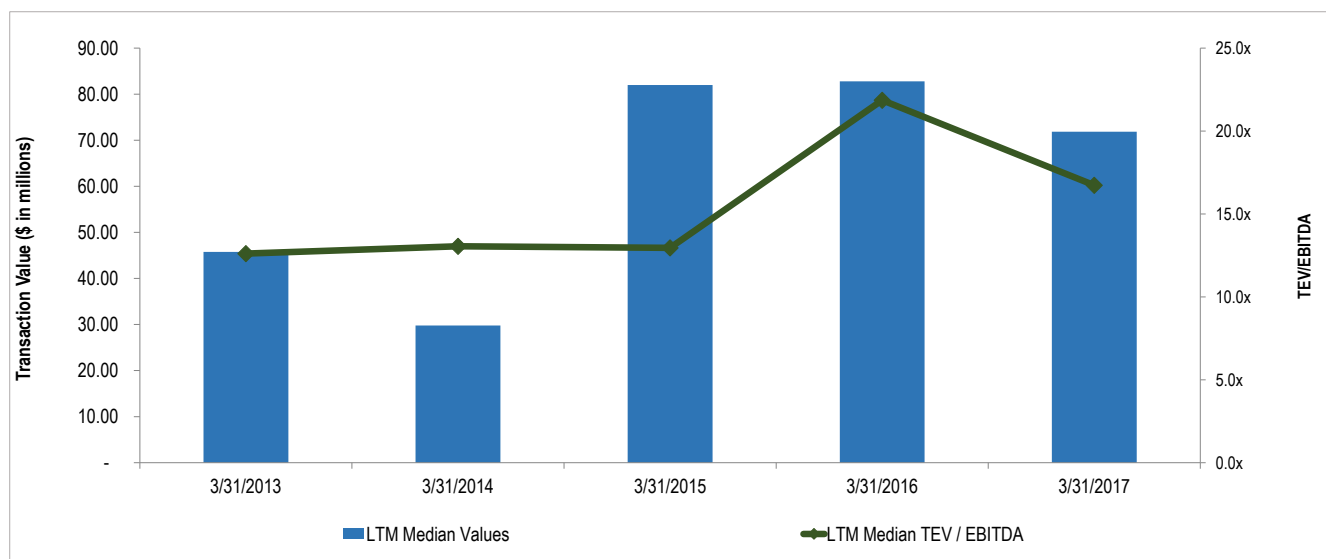
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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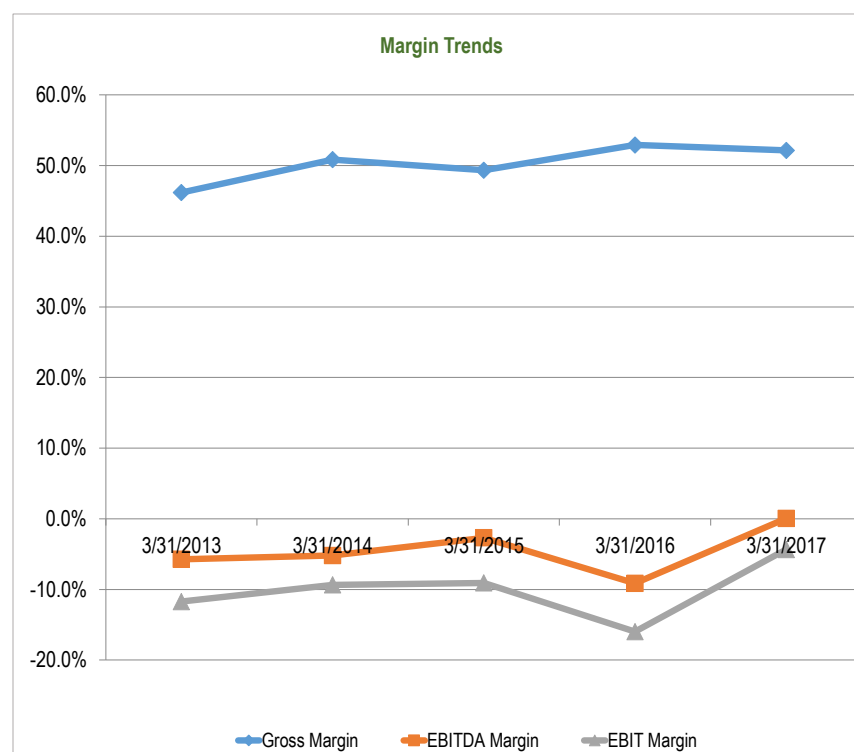
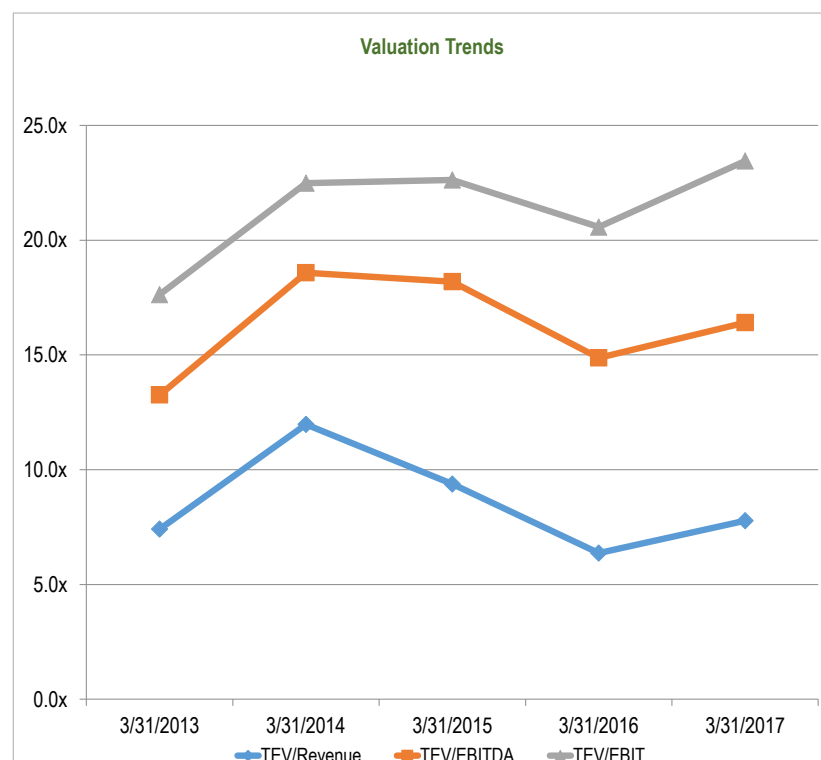
Pharmaceutical, Biotechnology & Life Sciences

1st Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,378	30.5x	23.7x	33.1x	TEV/Revenue	↑
Median	\$248	7.8x	16.4x	23.5x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	29.6%	-33.2%	-39.5%	Gross Margin	↓
Median	52.2%	0.1%	-4.3%	EBITDA Margin	↑
				EBIT Margin	↑



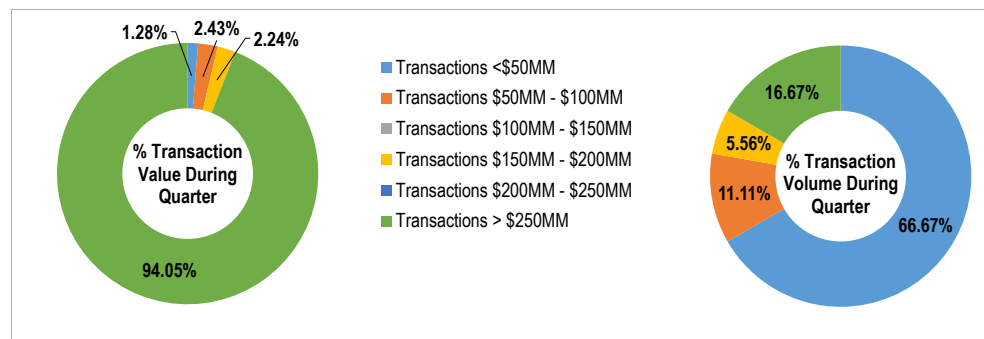
Source: S&P Capital IQ as of 4/24/2017 and PCE Proprietary Data

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

Transaction Volume	134
Number of Transactions with Disclosed Values	18
Transaction Value*	\$7,025.10
Average Transaction Value*	\$390.28
Median Transaction Value*	\$12.25

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

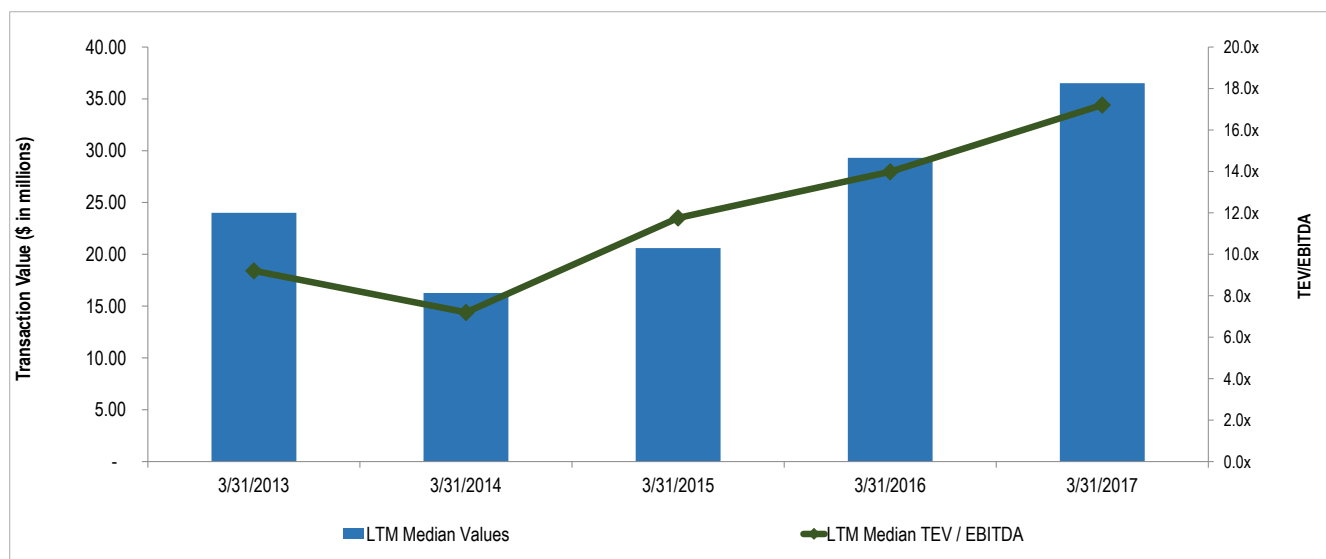
Transactions by Value & Volume



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Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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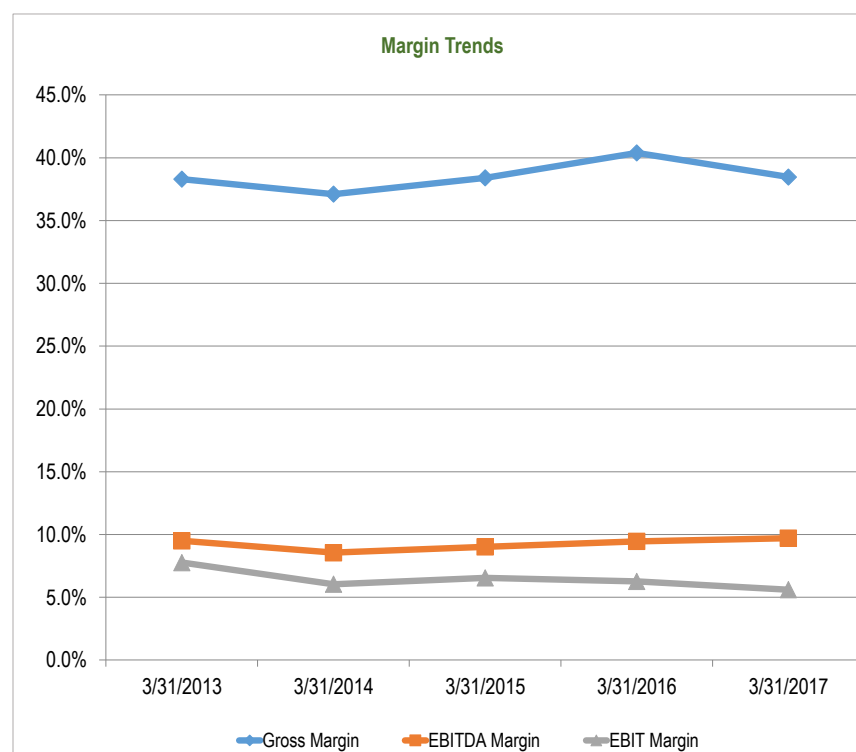
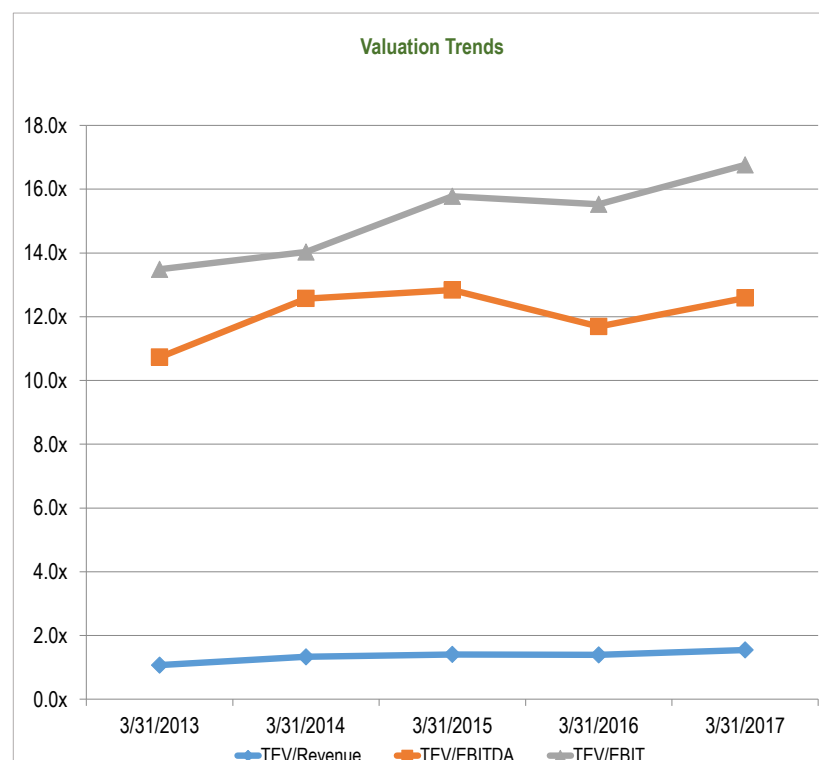
Services E-Health Technology

1st Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,673	2.7x	16.9x	30.1x	TEV/Revenue	↑
Median	\$762	1.5x	12.6x	16.8x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	41.1%	7.2%	1.7%	Gross Margin	↓
Median	38.5%	9.7%	5.6%	EBITDA Margin	↑
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/24/2017 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

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

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PCE Locations

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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

