



PCE Industry Report

Healthcare



Middle Market M&A Summary

Healthcare

3rd Quarter 2017

Key Highlights

- The average value of the top ten transactions was \$4.5 billion.
 - The largest transaction was the acquisition of VCA Inc. by Mars, Incorporated for \$9.1 billion.
 - The smallest transaction was the acquisition of IFM Therapeutics, Inc. by Bristol-Myers Squibb Company for \$1.3 billion
- The public company industry median TEV/Revenue multiple is 2.9x.
- The public company industry median TEV/EBITDA multiple is 16.3x.

Key Trends

- Rising operating costs and a shift in the industry to pay for value over volume has continued a consolidation trend into 2017. The industry should continue to see an uptick in M&A as well as alternative transactions like joint ventures and partnerships throughout the year.
- Under the current administration, the future of the PPACA (“ACA”) remains unclear. Proposed cuts could cause insurers to lose most of the \$1.9 trillion federal ACA-related subsidies slated to be paid out over the next 10 years. States that have expanded Medicare would see a sharp rise in uncompensated care.¹
- Emerging technologies are expected to be deployed within the healthcare industry within the coming years. With technologies like Artificial Intelligence and 3D Printing already disrupting the likes of R&D and Orthodontics, healthcare providers are expected to begin heavily investing in the technologies and associated talent that would broaden the array of services they offer.¹
- Industry-wide adoption of electronic health record (EHR) systems continues to increase efficiency in hospitals. Spending on cyber-security by hospitals will continue to grow, as hackers have begun to target these systems for the private information that is vital to their operations.¹

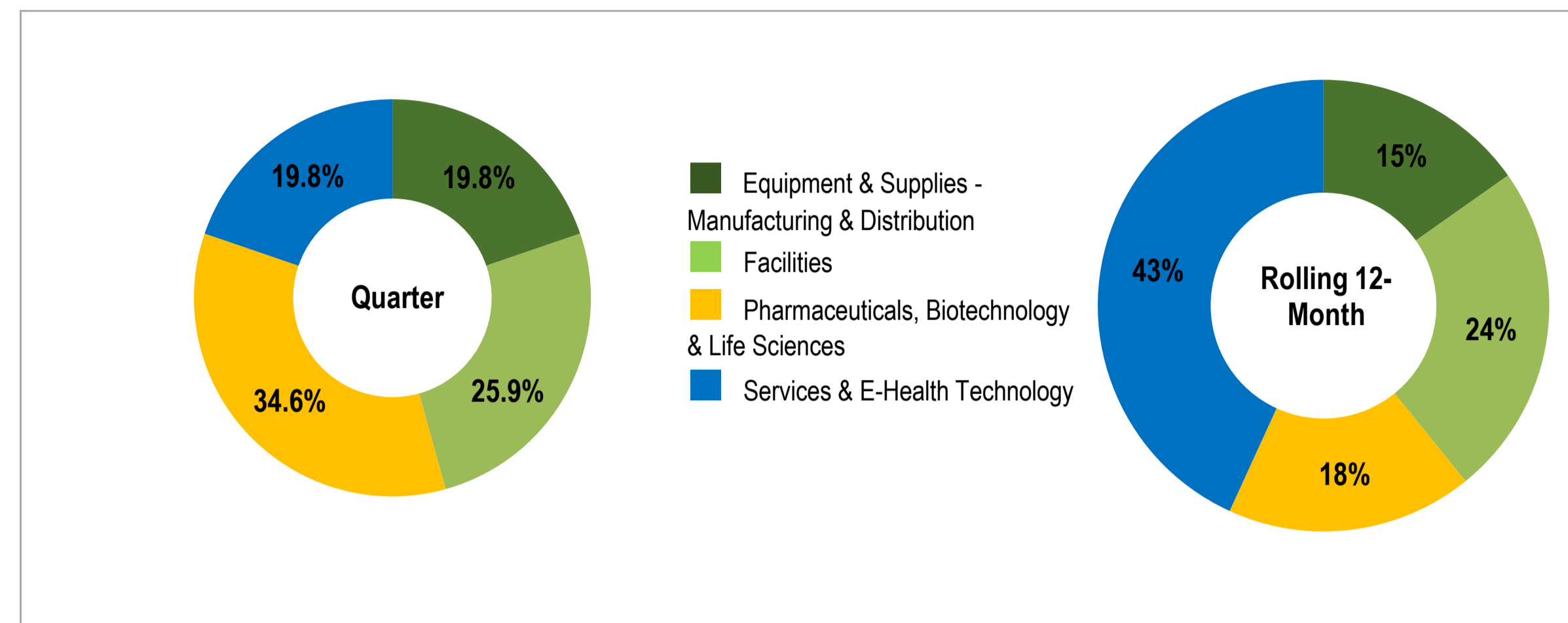
Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data
¹PWC - "Health Research Institute"

Industry Trends During Quarter

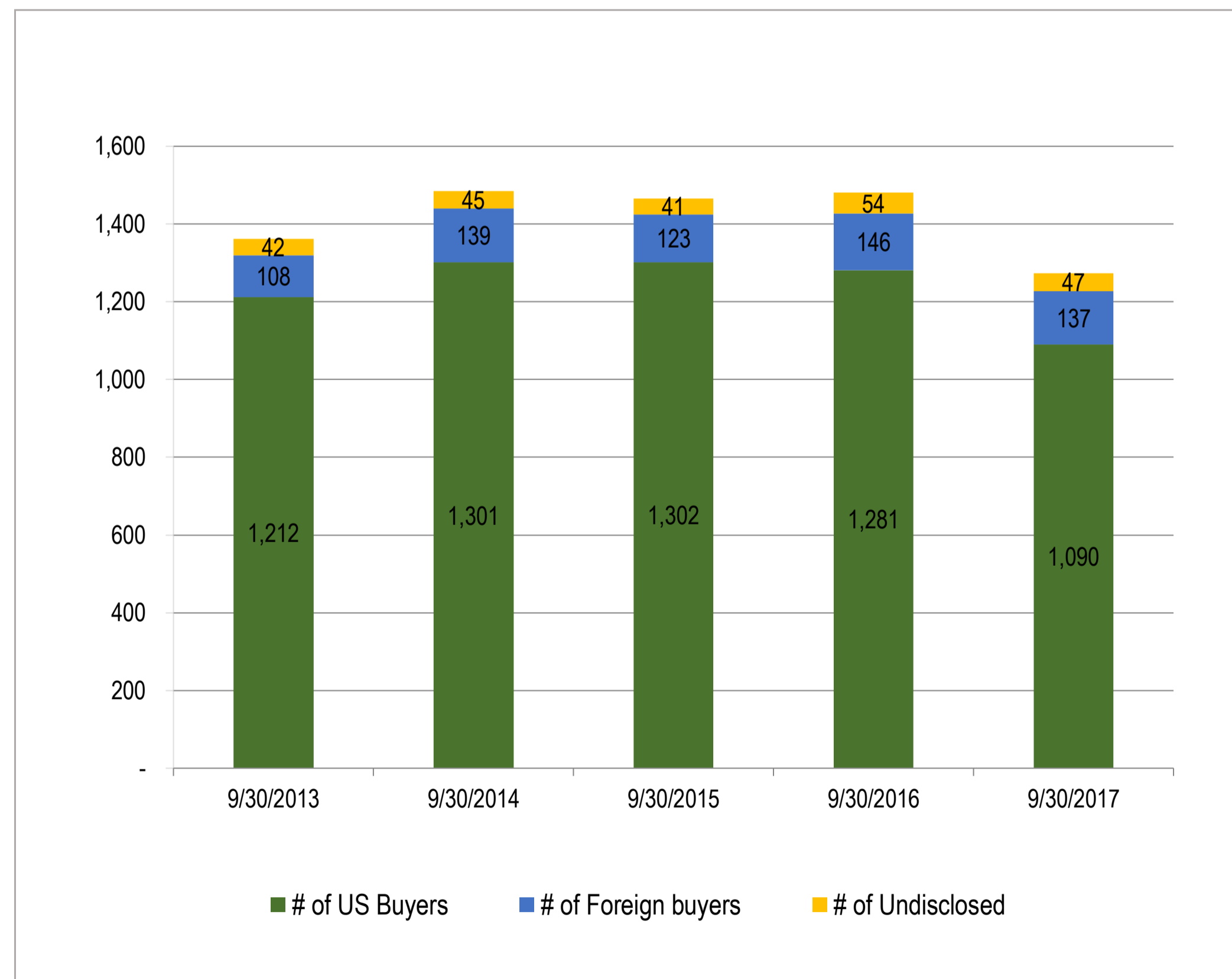
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Equipment & Supplies - Manufacturing & Distribution	↓	↓	↑
Facilities	↓	↑	↑
Pharmaceuticals, Biotechnology & Life Sciences	↑	↓	↓
Services & E-Health Technology	↓	↓	↓

* 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 10/13/2017 and PCE Proprietary Data

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

Sector	Target	Buyer	Transaction Value
Facilities	VCA Inc.	Mars, Incorporated	\$9,149.6
Pharmaceuticals, Biotechnology & Life Sciences	Patheon N.V.	Thermo Fisher (CN) Luxembourg S.à r.l.	\$7,298.0
Equipment & Supplies - Manufacturing & Distribution	Medtronic plc, Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency Businesses	Cardinal Health, Inc.	\$6,059.1
Pharmaceuticals, Biotechnology & Life Sciences	Capsugel Inc.	Lonza Group Ltd	\$5,500.0
Pharmaceuticals, Biotechnology & Life Sciences	PAREXEL International Corporation	Pamplona Capital Management LLP	\$5,291.7
Pharmaceuticals, Biotechnology & Life Sciences	inVentiv Health, Inc.	INC Research Holdings, Inc.	\$4,291.7
Facilities	Surgery Partners, Inc.	Bain Capital Private Equity, LP	\$2,418.2
Equipment & Supplies - Manufacturing & Distribution	The Spectranetics Corporation	Philips Holding USA Inc.	\$2,117.3
Pharmaceuticals, Biotechnology & Life Sciences	Albany Molecular Research, Inc.	GTCR, LLC; The Carlyle Group L.P.	\$1,628.7
Pharmaceuticals, Biotechnology & Life Sciences	IFM Therapeutics, Inc.	Bristol-Myers Squibb Company	\$1,310.0

Equipment & Supplies - Manufacturing & Distribution

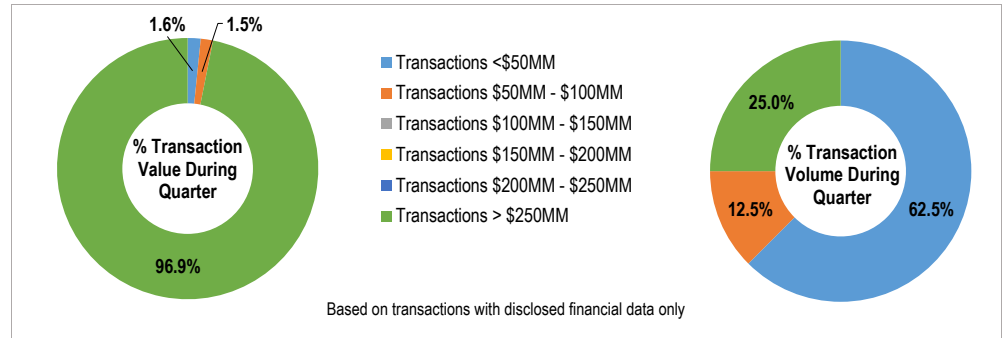
3rd Quarter 2017

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

Transaction Volume	47
Number of Transactions with Disclosed Values	16
Transaction Value*	\$9,323.40
Average Transaction Value*	\$582.71
Median Transaction Value*	\$35.00

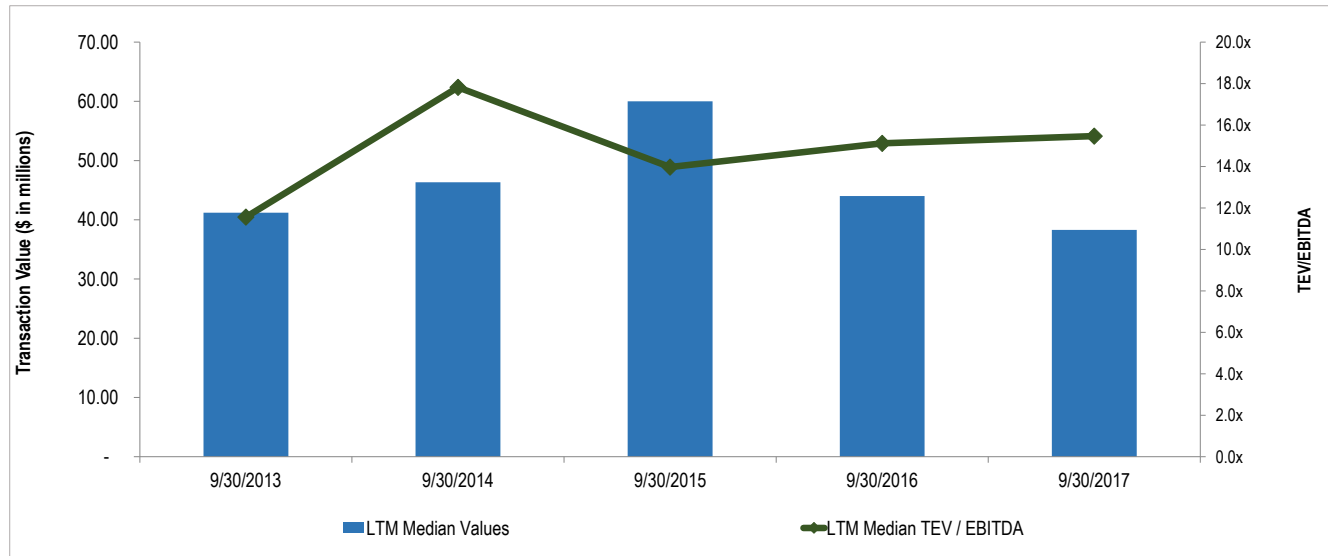
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/11/2017 and PCE Proprietary Data



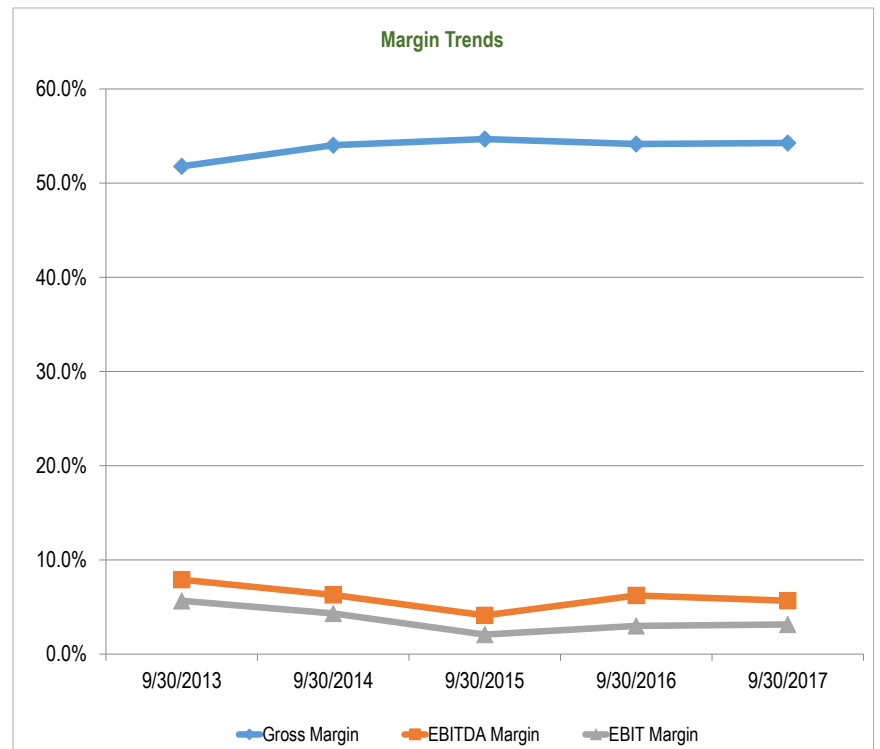
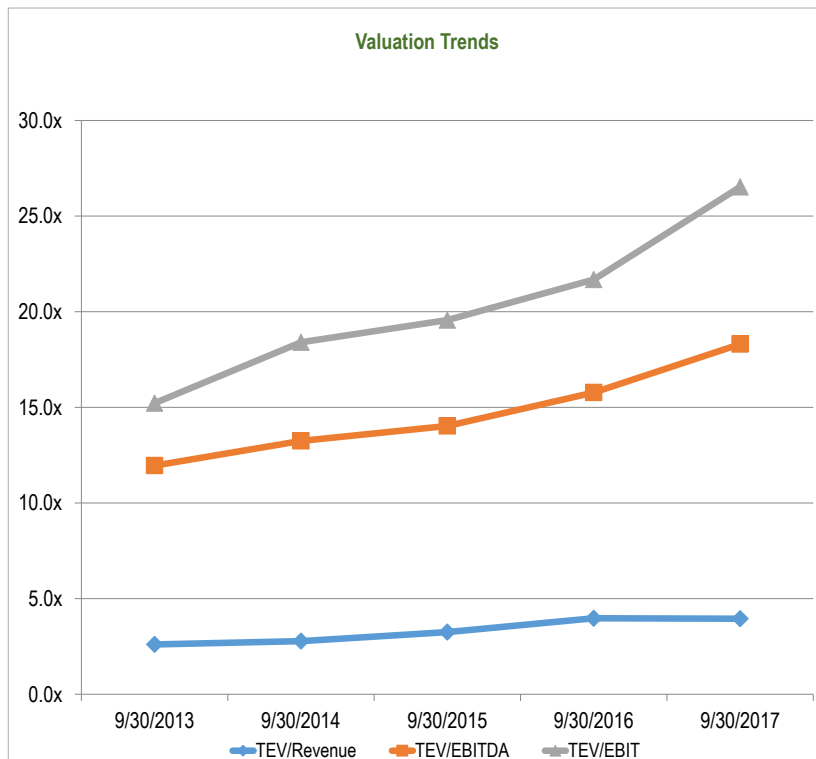
Equipment & Supplies - Manufacturing & Distribution

3rd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,780	7.9x	27.6x	33.5x	TEV/Revenue	↓
Median	\$431	3.9x	18.3x	26.5x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	49.4%	-14.0%	-14.3%	Gross Margin	↑
Median	54.3%	5.7%	3.1%	EBITDA Margin	↓
				EBIT Margin	↑



Source: S&P Capital IQ as of 10/11/2017 and PCE Proprietary Data

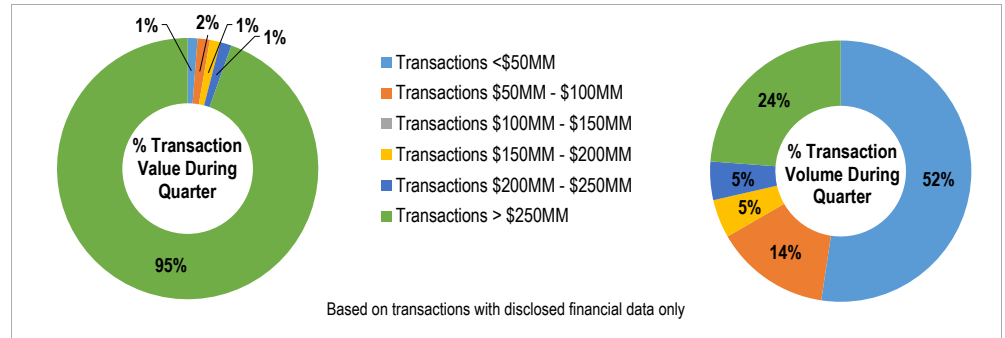


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	52
Number of Transactions with Disclosed Values	21
Transaction Value*	\$14,570.39
Average Transaction Value*	\$693.83
Median Transaction Value*	\$45.00

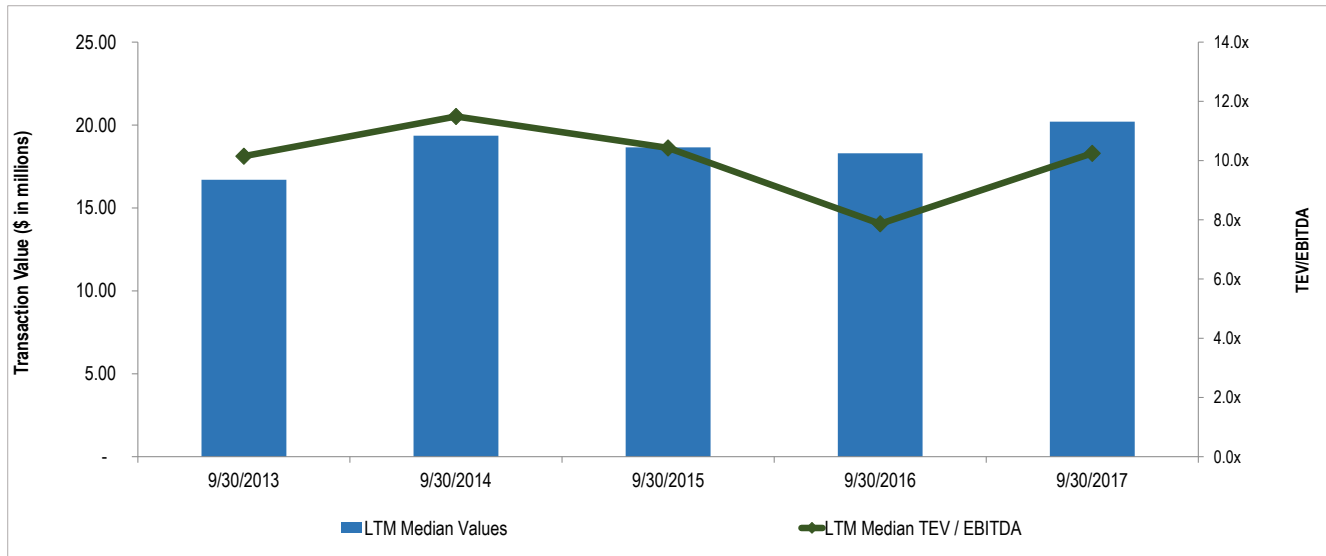
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



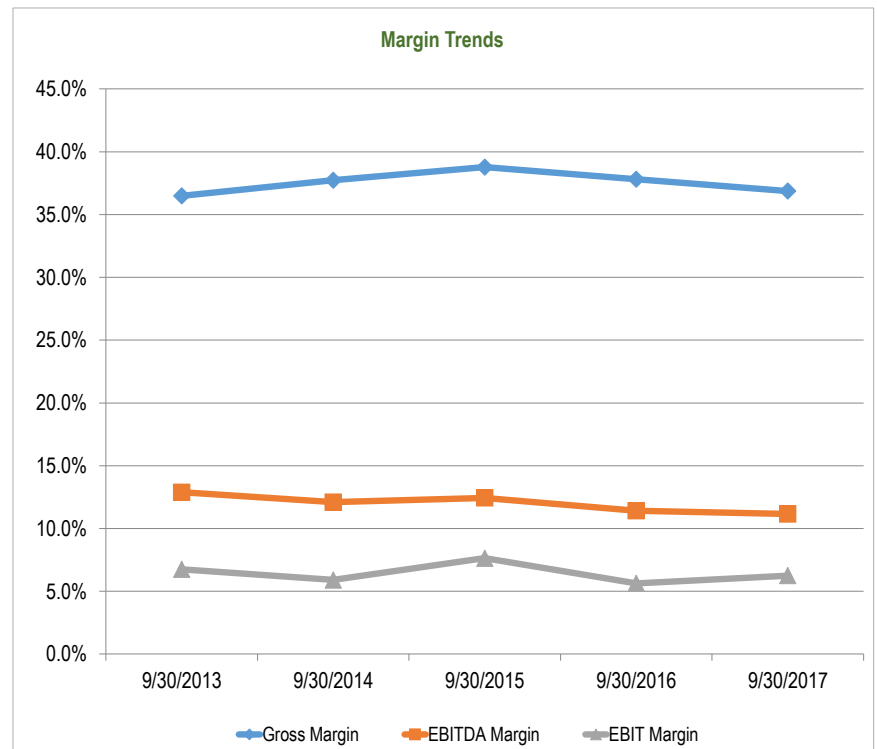
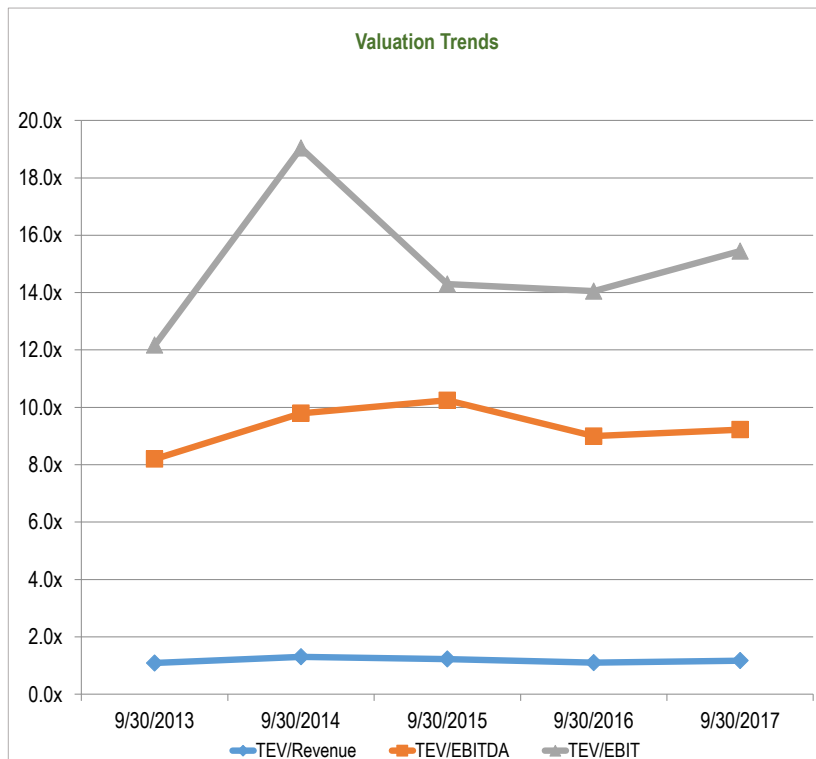
Source: S&P Capital IQ as of 10/11/2017 and PCE Proprietary Data



Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,578	1.4x	10.6x	26.6x	TEV/Revenue	↑
Median	\$712	1.2x	9.2x	15.4x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	38.4%	11.7%	5.9%	Gross Margin	↓
Median	36.9%	11.2%	6.3%	EBITDA Margin	↓
				EBIT Margin	↑



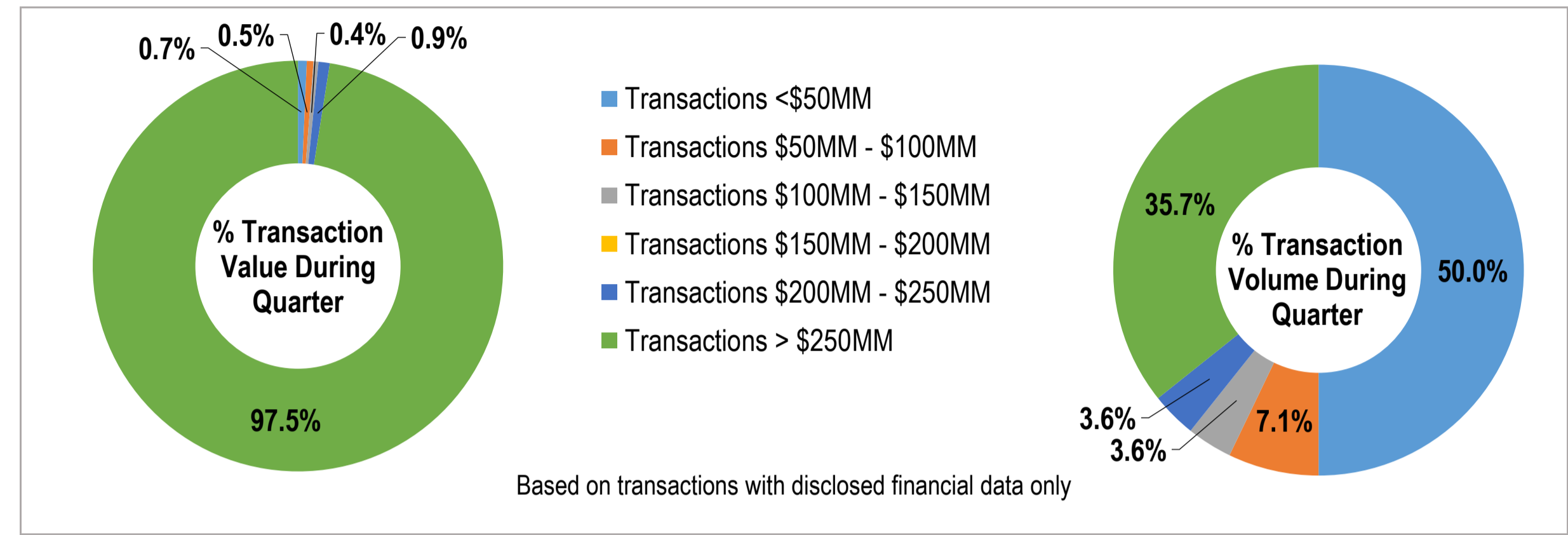
Source: S&P Capital IQ as of 10/11/2017 and PCE Proprietary Data

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

Transaction Volume	59
Number of Transactions with Disclosed Values	28
Transaction Value*	\$28,100.26
Average Transaction Value*	\$1,003.58
Median Transaction Value*	\$52.35

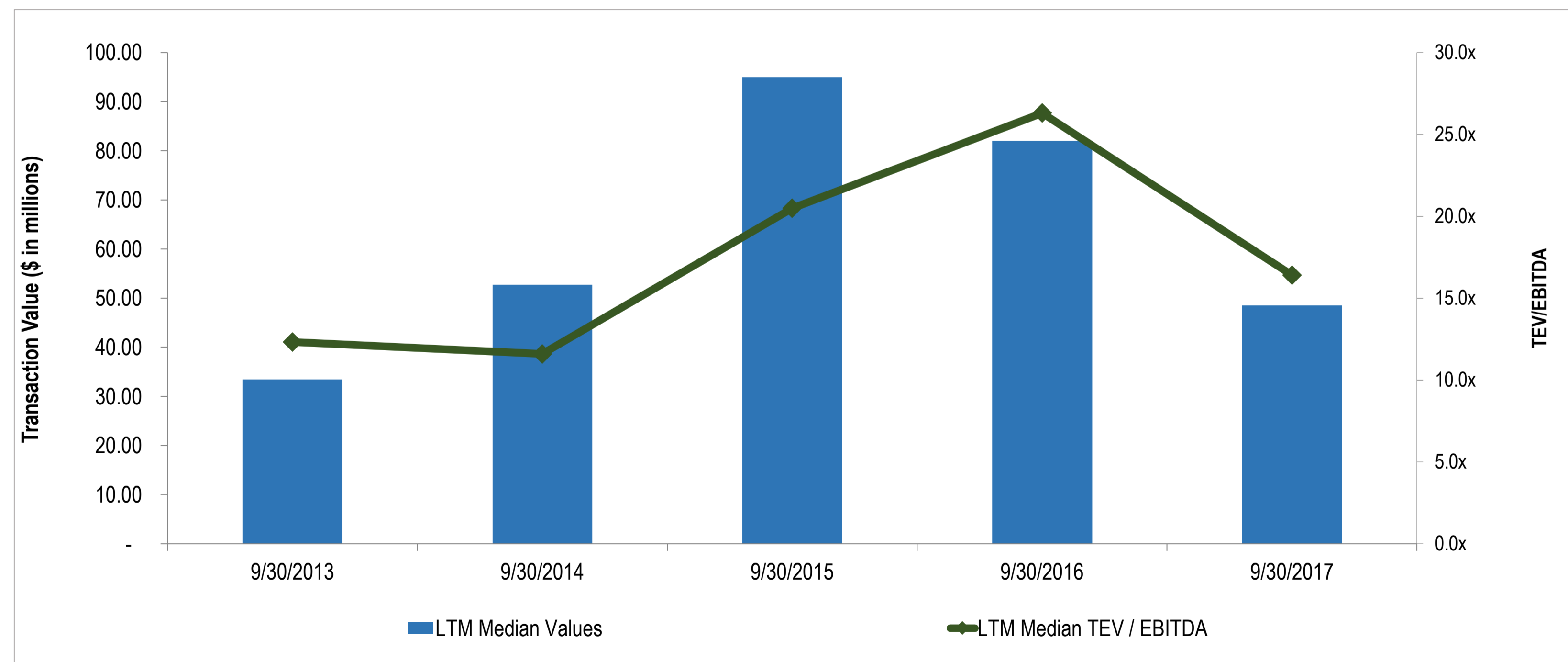
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



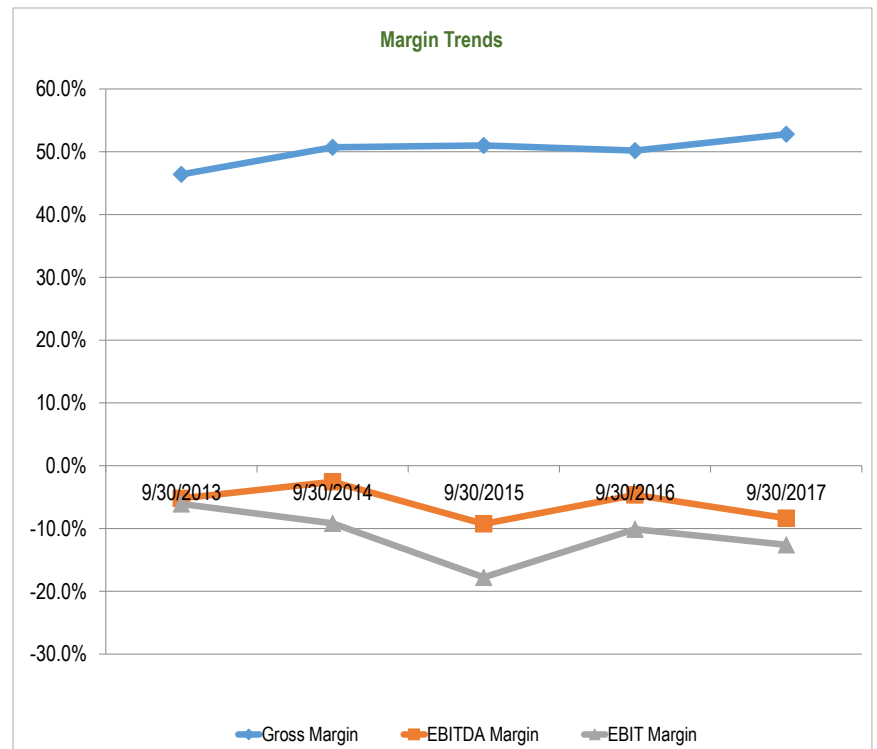
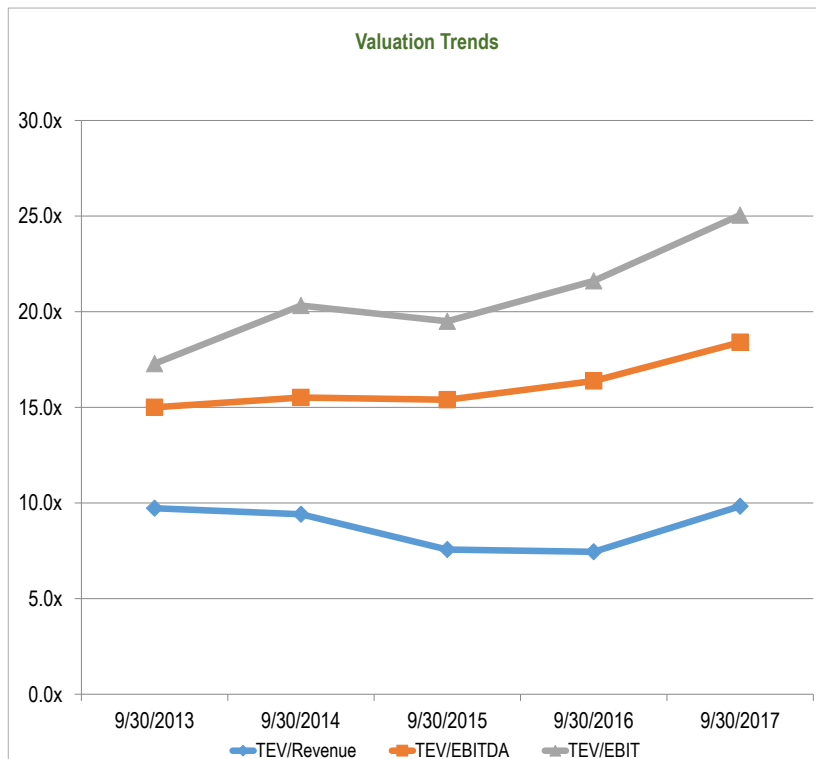
Source: S&P Capital IQ as of 10/16/2017 and PCE Proprietary Data



Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,924	31.4x	26.1x	38.7x	TEV/Revenue	↑
Median	\$300	9.8x	18.4x	25.1x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	27.8%	-45.8%	-51.7%	Gross Margin	↑
Median	52.8%	-8.4%	-12.6%	EBITDA Margin	↓
				EBIT Margin	↓



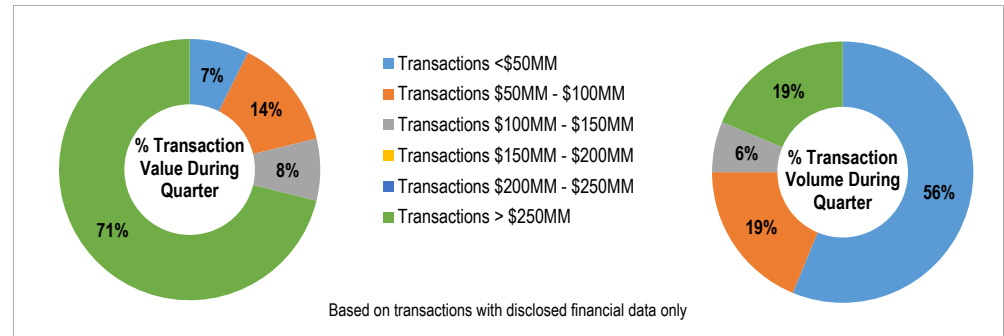
Source: S&P Capital IQ as of 10/11/2017 and PCE Proprietary Data

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

Transaction Volume	137
Number of Transactions with Disclosed Values	16
Transaction Value*	\$1,715.91
Average Transaction Value*	\$107.24
Median Transaction Value*	\$30.50

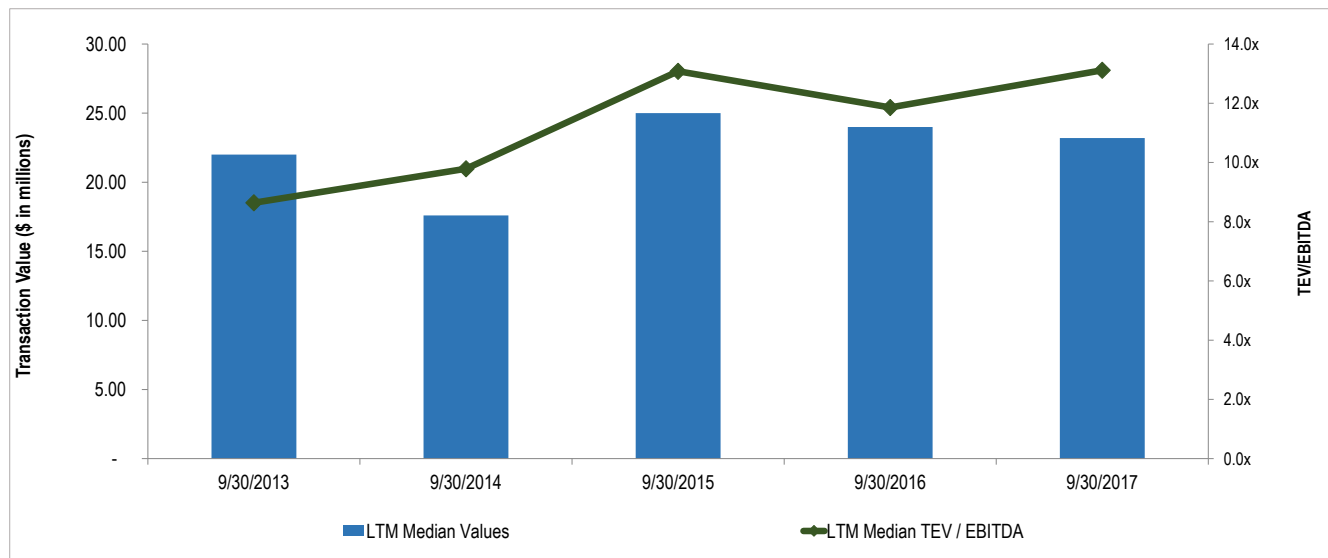
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Transactions by Value & Volume



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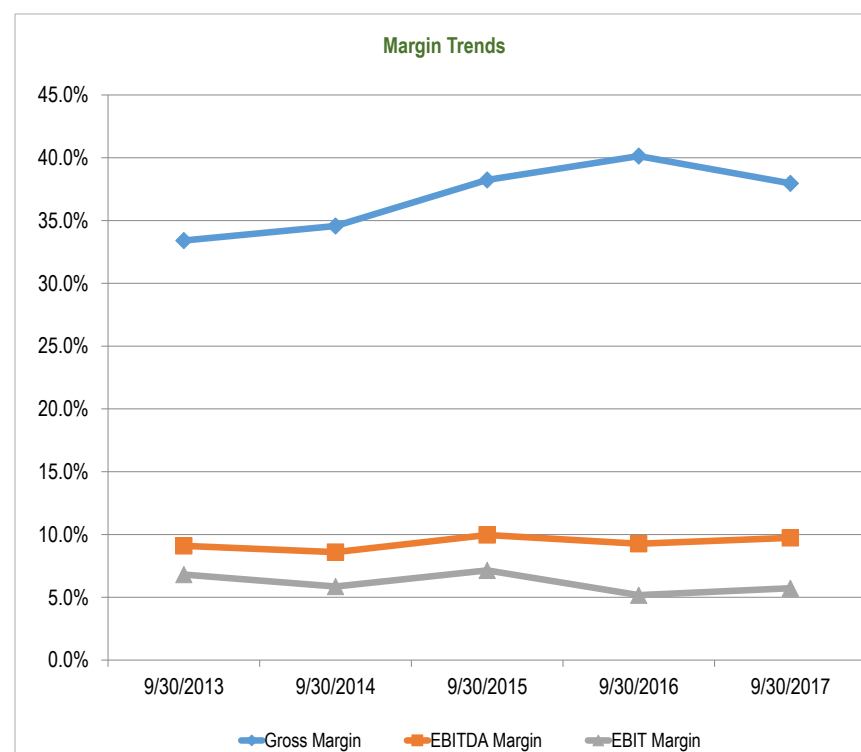
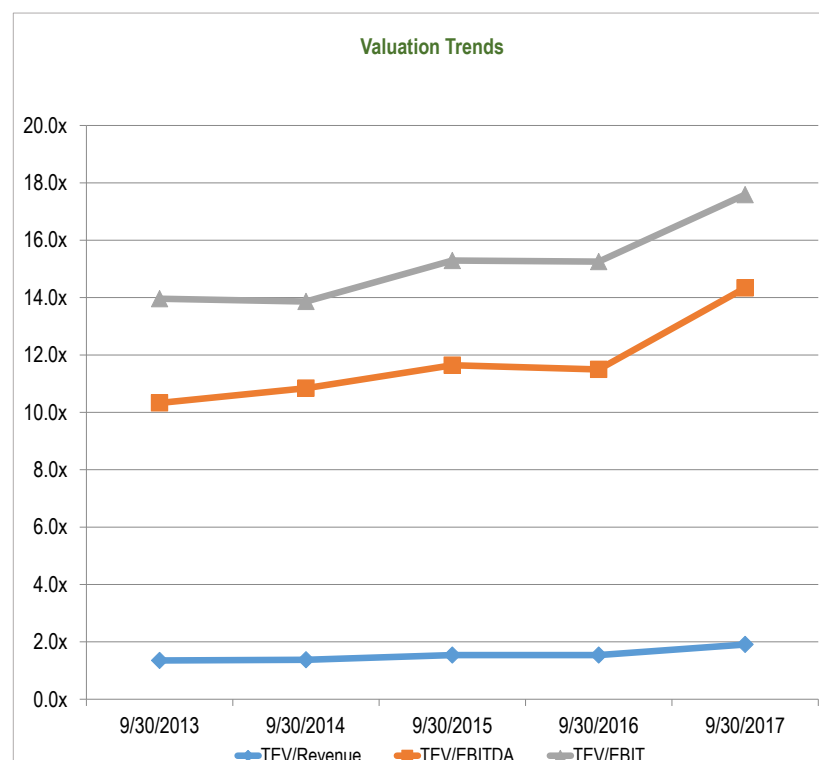
Services E-Health Technology

3rd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,683	4.7x	22.1x	30.8x	TEV/Revenue	↑
Median	\$979	1.9x	14.3x	17.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	41.0%	5.8%	0.5%	Gross Margin	↓
Median	38.0%	9.7%	5.7%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 10/11/2017 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.

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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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- Banking, Finance & Insurance
- 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