

GCG INDUSTRY UPDATE | Healthcare
Q1 2019

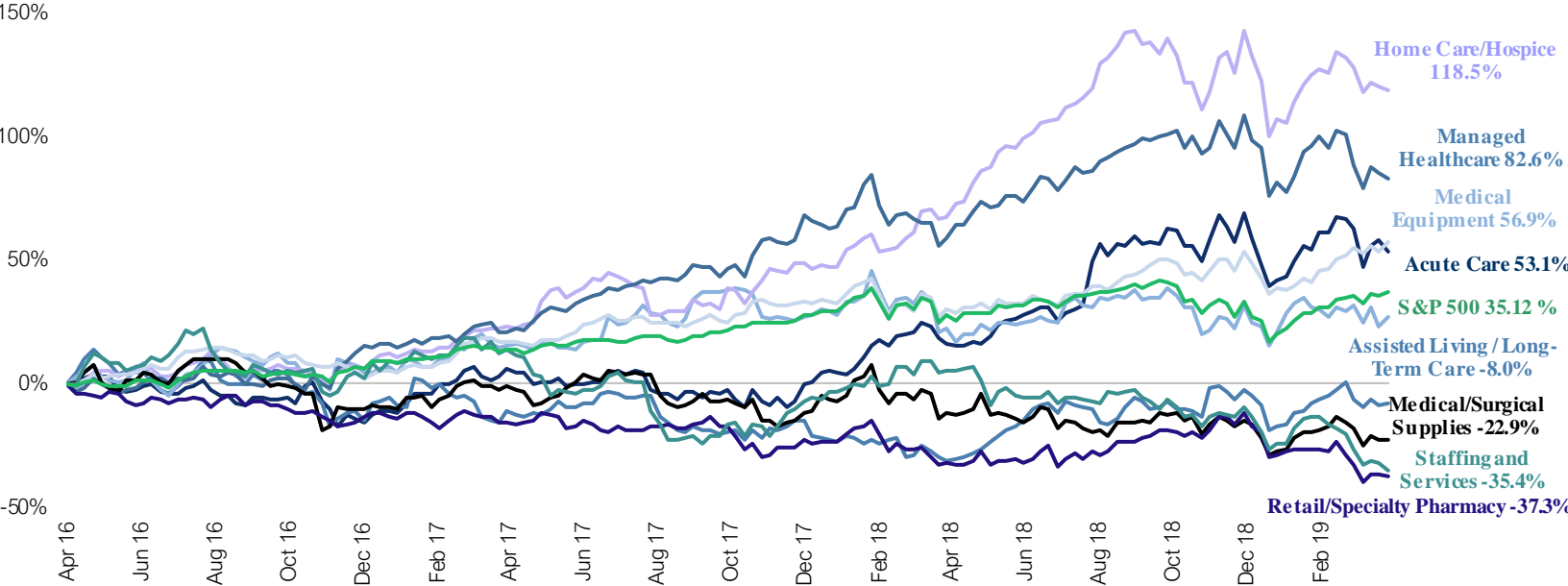


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Public Market Performance

Q1 2019 saw some recovery in the Healthcare industry and the broader U.S. equity market from the previous quarter. On a 3-year period ending March 31, the S&P 500 returned 36.7%. A majority of the Healthcare industry exhibited strong performance on a 12-month basis, with certain segments performing stronger than others. The industry has been led by the Managed Healthcare and Home Care/Hospice segments, both of which outperformed the S&P 500, with stock gains of 82.6% and 118.5%, respectively, over the past three years.

Healthcare Market Performance



Source: S&P Capital IQ
 Note: All values based on publicly available data as of 3/31/2019

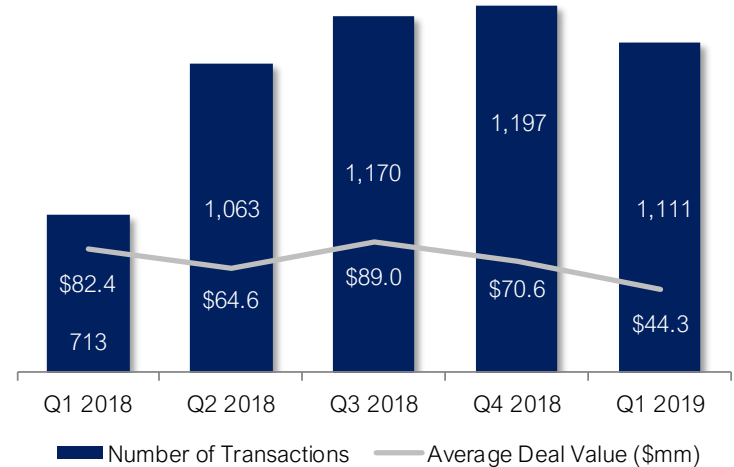


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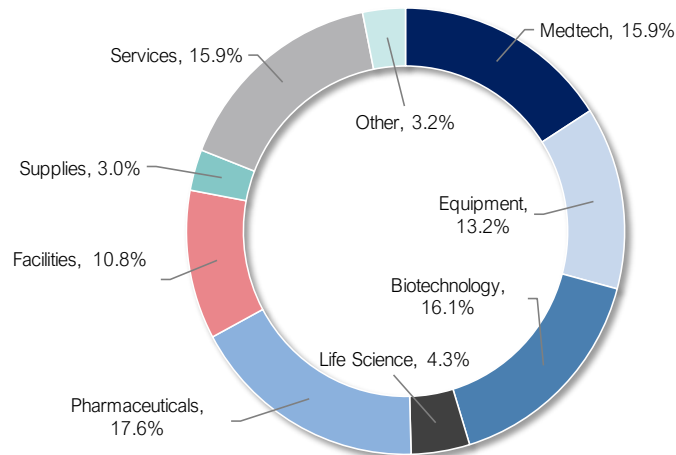
Middle-Market M&A Activity

Q1 2019 M&A activity displayed a slight decrease in transaction values since Q4 2018 in the Healthcare sector. However, we're seeing continued optimism in the sector moving forward as transaction volume saw a 56% increase year-over-year. Strategic buyers continue to dominate overall deal activity and have sought acquisitions to offset slowing organic growth and to diversify their offerings. The Pharmaceuticals category led activity, accounting for nearly 18% of total Healthcare transaction volume. Biotechnology proved to be attractive targets as well with about 16% of deal flow.

Healthcare M&A Activity



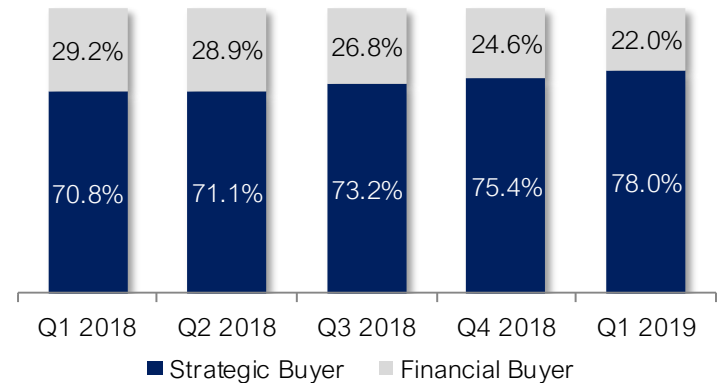
Q1 2019 M&A Activity by Sector



Source: S&P Capital IQ

Note: All values based on publicly available data as of 3/31/2019

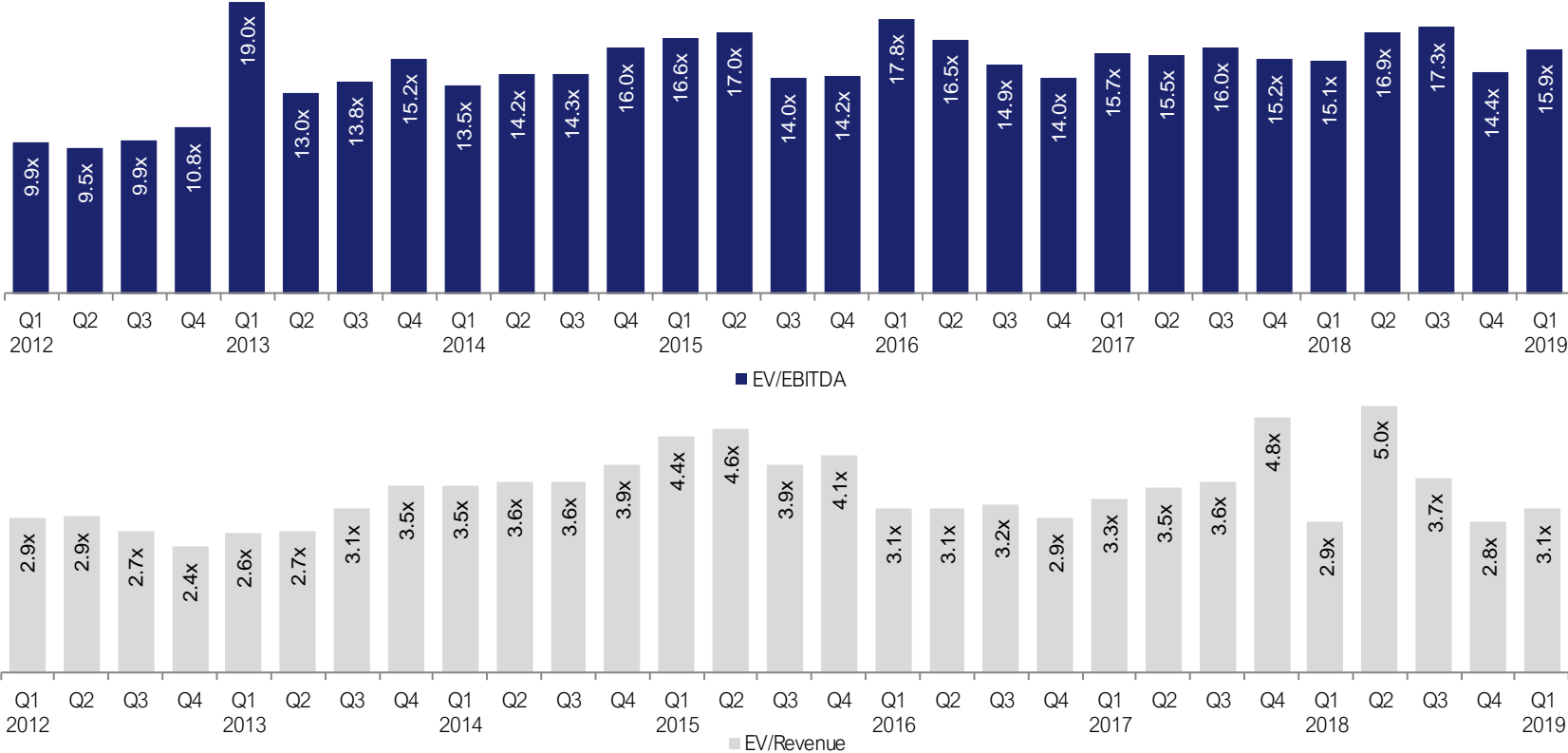
M&A Activity by Buyer Type



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Public Company Trading Multiples

Based on a representative set of publicly traded companies in the Healthcare industry, public companies traded at an average multiple of 15.9x EBITDA. Among the sectors, the strongest trading multiples were observed in the Medical Equipment and Biotechnology sectors.



Source: S&P Capital IQ
 Note: All values based on publicly available data as of 3/31/2019



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Public Comparable Companies

Company Name	Enterprise	Share	Price Change		LTM Margins		TEV / LTM:	
	Value (\$mils)	Stock Price	3 month	12 month	Gross	EBITDA	Revenue	EBITDA
Acute-Care								
HCA Healthcare, Inc.	\$79,091.04	\$130.38	4.8%	34.4%	37.6%	19.1%	1.7x	8.9x
Tenet Healthcare Corporation	19,609.57	28.84	68.3%	18.9%	36.4%	15.2%	1.1x	7.0x
Community Health Systems, Inc.	14,399.19	3.73	32.3%	(5.8%)	38.3%	10.3%	1.0x	9.9x
Select Medical Holdings Corporation	5,943.01	14.09	(8.2%)	(18.3%)	19.9%	12.2%	1.2x	9.6x
Mean	\$29,760.70	\$44.26	24.3%	7.3%	33.0%	14.2%	1.2x	8.8x
Median	\$17,004.38	\$21.47	18.5%	6.6%	37.0%	13.7%	1.1x	9.2x
Assisted Living/Long-Term Care								
Brookdale Senior Living Inc.	\$5,328.87	\$6.58	(1.8%)	(1.9%)	30.4%	15.2%	1.5x	10.0x
The Ensign Group, Inc.	2,912.39	51.19	32.0%	94.6%	13.9%	9.0%	1.4x	15.9x
Capital Senior Living Corporation	1,116.15	3.99	(41.3%)	(62.9%)	33.5%	13.4%	2.4x	18.2x
National HealthCare Corporation	1,053.38	75.88	(3.3%)	27.3%	40.5%	10.3%	1.1x	10.4x
Five Star Senior Living Inc.	70.52	0.98	103.1%	(25.0%)	49.2%	(3.7%)	0.1x	NM
Mean	\$2,096.26	\$27.72	17.7%	6.4%	33.5%	8.8%	1.3x	13.6x
Median	\$1,116.15	\$6.58	(1.8%)	(1.9%)	33.5%	10.3%	1.4x	13.2x

Source: S&P Capital IQ

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Public Comparable Companies

Company Name	Enterprise	Share	Price Change		LTM Margins		TEV / LTM:	
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Biotechnology								
AbbVie Inc.	\$151,374.29	\$80.59	(12.6%)	(14.9%)	76.4%	41.8%	4.6x	11.1x
Amgen Inc.	122,845.38	189.98	(2.4%)	11.4%	82.7%	52.6%	5.2x	9.8x
Celgene Corporation	80,481.23	94.34	47.2%	5.8%	92.0%	40.1%	5.3x	13.1x
Biogen Inc.	48,888.52	236.38	(21.4%)	(13.7%)	86.5%	52.2%	3.6x	7.0x
Vertex Pharmaceuticals Incorporated	44,451.21	183.95	11.0%	12.9%	40.1%	24.2%	14.6x	60.4x
Regeneron Pharmaceuticals, Inc.	42,575.93	410.62	9.9%	19.2%	61.0%	40.0%	6.3x	15.9x
Alexion Pharmaceuticals, Inc.	31,961.57	135.18	38.8%	21.3%	91.1%	48.4%	7.7x	16.0x
IDEXX Laboratories, Inc.	20,116.42	223.60	20.2%	16.8%	56.1%	26.1%	9.1x	34.9x
Incyte Corporation	17,026.70	86.01	35.3%	3.2%	31.3%	11.1%	9.0x	81.6x
BioMarin Pharmaceutical Inc.	15,590.91	88.83	4.3%	9.6%	32.2%	(4.0%)	10.5x	NM
Merit Medical Systems, Inc.	3,722.44	61.83	10.8%	36.3%	44.7%	16.1%	4.2x	26.2x
Veracyte, Inc.	975.83	25.02	98.9%	350.0%	64.0%	(21.1%)	10.6x	NM
ArQule, Inc.	437.77	4.79	72.9%	66.3%	(11.4%)	(53.0%)	17.0x	NM
Mean	\$44,649.86	\$140.09	24.1%	40.3%	57.4%	21.1%	8.3x	27.6x
Median	\$31,961.57	\$94.34	11.0%	12.9%	61.0%	26.1%	7.7x	15.9x

Source: S&P Capital IQ

Note: All values based on publicly available data as of 3/31/2019



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Home Care/Hospice								
Encompass Health Corporation	\$8,753.84	\$58.40	(5.3%)	2.2%	41.3%	20.6%	2.0x	9.9x
Chemed Corporation	5,195.08	320.07	13.0%	17.3%	31.1%	15.6%	2.9x	18.7x
Amedisys, Inc.	3,933.80	123.26	5.3%	104.3%	40.3%	10.1%	2.4x	23.4x
LHC Group, Inc.	3,798.17	110.86	18.1%	80.1%	36.1%	9.1%	2.1x	23.1x
BioScrip, Inc.	839.73	2.00	(44.0%)	(18.7%)	12.4%	5.8%	1.2x	20.5x
Addus HomeCare Corporation	775.37	63.59	(6.3%)	30.7%	26.6%	7.6%	1.5x	19.8x
Mean	\$3,882.67	\$113.03	(3.2%)	36.0%	31.3%	11.5%	2.0x	19.2x
Median	\$3,865.99	\$87.23	(0.0%)	24.0%	33.6%	9.6%	2.1x	20.2x
Managed Healthcare								
UnitedHealth Group Incorporated	\$267,474.49	\$247.26	(0.7%)	15.5%	23.8%	8.5%	1.2x	14.0x
Cigna Corporation	99,788.08	160.82	(15.3%)	(4.1%)	33.5%	10.7%	2.1x	19.2x
Anthem, Inc.	89,707.56	286.98	9.3%	30.6%	21.9%	6.9%	1.0x	14.1x
Humana Inc.	39,976.64	266.00	(7.1%)	(1.1%)	19.4%	5.9%	0.7x	12.0x
Centene Corporation	23,485.42	53.10	(7.9%)	(0.6%)	18.8%	4.6%	0.4x	8.9x
WellCare Health Plans, Inc.	12,041.52	269.75	14.3%	39.3%	15.4%	4.5%	0.6x	13.1x
Molina Healthcare, Inc.	7,522.89	141.96	22.1%	74.9%	16.6%	6.9%	0.4x	6.0x
Magellan Health, Inc.	2,199.96	65.92	15.9%	(38.5%)	2.7%	2.0%	0.3x	14.8x
Triple-S Management Corporation	433.82	22.82	31.2%	(12.7%)	15.6%	(2.4%)	0.1x	NM
Mean	\$60,292.26	\$168.29	6.9%	11.5%	18.6%	5.3%	0.8x	12.8x
Median	\$23,485.42	\$160.82	9.3%	(0.6%)	18.8%	5.9%	0.6x	13.5x

Source: S&P Capital IQ, Note: All values based on publicly available data as of 3/31/2019



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Medical Equipment								
Johnson & Johnson	\$384,123.91	\$139.79	8.3%	9.1%	66.9%	34.7%	4.7x	13.6x
Abbott Laboratories	156,090.23	79.94	10.5%	33.4%	58.6%	23.5%	5.1x	21.7x
Medtronic plc	138,155.03	91.08	0.1%	13.5%	70.7%	31.7%	4.5x	14.3x
Danaher Corporation	103,450.67	132.02	28.0%	34.8%	55.9%	24.2%	5.2x	21.5x
Stryker Corporation	79,855.74	197.52	26.0%	22.7%	66.0%	28.1%	5.9x	20.9x
Boston Scientific Corporation	60,321.38	38.38	8.6%	40.5%	71.2%	26.7%	6.1x	23.0x
Baxter International Inc.	43,225.95	81.31	23.5%	25.0%	43.4%	23.2%	3.9x	16.7x
Teleflex Incorporated	15,700.26	302.16	16.9%	18.5%	58.0%	27.2%	6.4x	23.6x
Hill-Rom Holdings, Inc.	8,877.72	105.86	19.5%	21.7%	49.1%	20.0%	3.1x	15.5x
Mean	\$109,977.88	\$129.78	15.7%	24.4%	60.0%	26.6%	5.0x	19.0x
Median	\$79,855.74	\$105.86	16.9%	22.7%	58.6%	26.7%	5.1x	20.9x
Medical/Surgical Supplies								
McKesson Corporation	\$32,063.07	\$117.06	6.0%	(16.9%)	5.4%	1.9%	0.2x	7.8x
Cardinal Health, Inc.	21,216.50	48.15	8.0%	(23.2%)	5.0%	2.0%	0.1x	7.4x
AmerisourceBergen Corporation	19,034.85	79.52	6.9%	(7.8%)	2.7%	1.2%	0.1x	8.8x
Henry Schein, Inc.	11,877.57	60.11	(23.4%)	(10.6%)	27.2%	8.3%	0.9x	10.8x
Owens & Minor, Inc.	1,812.48	4.10	(35.2%)	(73.6%)	14.2%	2.3%	0.2x	8.0x
Mean	\$17,200.89	\$61.79	(7.6%)	(26.4%)	10.9%	3.2%	0.3x	8.6x
Median	\$19,034.85	\$60.11	6.0%	(16.9%)	5.4%	2.0%	0.2x	8.0x

Source: S&P Capital IQ

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Public Comparable Companies

Company Name	Enterprise	Share	Price Change		LTM Margins		TEV / LTM:	
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Retail/Specialty Pharmacy								
CVS Health Corporation	\$137,117.64	\$53.93	(17.7%)	(13.3%)	15.9%	6.4%	0.7x	11.0x
Walgreens Boots Alliance, Inc.	75,357.75	63.27	(7.4%)	(3.4%)	22.6%	5.6%	0.6x	9.8x
Rite Aid Corporation	3,697.47	0.64	(10.3%)	(62.2%)	21.6%	2.0%	0.2x	8.4x
Diplomat Pharmacy, Inc.	1,053.51	5.81	(56.8%)	(71.2%)	6.8%	2.2%	0.2x	8.9x
Mean	\$54,306.59	\$30.91	(23.1%)	(37.5%)	16.7%	4.1%	0.4x	9.5x
Median	\$39,527.61	\$29.87	(14.0%)	(37.8%)	18.8%	3.9%	0.4x	9.4x
Staffing and Services								
MEDNAX, Inc.	\$4,248.95	\$27.17	(17.7%)	(51.2%)	28.3%	15.3%	1.2x	7.6x
Surgery Partners, Inc.	4,229.68	11.28	15.2%	(34.2%)	23.1%	18.2%	2.4x	13.1x
AMN Healthcare Services, Inc.	2,633.63	47.09	(16.9%)	(17.0%)	32.6%	11.9%	1.2x	10.4x
Cross Country Healthcare, Inc.	321.89	7.03	(4.1%)	(36.7%)	25.7%	3.3%	0.4x	11.9x
Mean	\$2,858.54	\$23.14	(5.9%)	(34.8%)	27.4%	12.2%	1.3x	10.8x
Median	\$3,431.65	\$19.23	(10.5%)	(35.5%)	27.0%	13.6%	1.2x	11.1x
Healthcare Mean	\$49,254.34	\$119.51	14.8%	24.4%	42.2%	15.9%	4.0x	18.4x
Healthcare Median	\$16,363.48	\$89.96	10.7%	17.1%	39.2%	14.3%	2.7x	15.5x

Source: S&P Capital IQ

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Healthcare Expertise

GCG offers a unique breadth and depth of expertise in Healthcare from both an operational and transactional standpoint. Our professionals bring direct experience in senior operating roles within the industry to augment our investment banking and consulting services.

Healthcare is an evolving industry facing many opportunities and challenges. GCG's healthcare investment banking team leverages its deep industry knowledge and experience to provide strategic financial solutions for our clients in this rapidly changing environment. Our professionals are dedicated to understanding complex industry dynamics while providing merger and acquisition advisory services to companies and investors across several sectors in Healthcare.

More about Greenwich Capital Group

Greenwich Capital Group ("GCG") is a middle market focused advisory firm offering a range of investment banking and consulting services to private companies, public companies and private equity investors. For additional perspective or to discuss M&A related opportunities in the healthcare sector, please reach out to GCG's Healthcare practice leader, Joe Schmitt. For more information, please visit www.greenwichgp.com.



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Data Sources: We have based our findings on data provided by industry recognized sources. Data and information for this publication was collated from the S&P Capital IQ database. For more information on this or anything else related to our research, please email info@greenwichgp.com.

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