

## Healthcare Services M&A Market Update



Q1 2016

Mergers & Acquisitions  
Business Valuation



## Notable M&A Activity

**3/1/16 - Amedisys Inc. (NasdaqGS:AMED) acquired Associated Home Care Inc. from Michael Trigilio for \$38.1 million.** Associated Home Care Inc. provides in-home senior care services.

**2/29/16 - Decision Resources, Inc. acquired Adaptive Software LLC for \$24.5 million.** Adaptive Software LLC provides business process management software solutions for the pharmacy benefits management industry.

**2/10/16 - Constellation Healthcare Technologies, Inc. (AIM:CHT) acquired MDRX Medical Billing LLC for \$30 million in cash.** MDRX is a healthcare practice management and billing company.

**2/5/16 - Halma plc (LSE:HLMA) acquired CenTrak, Inc. from private shareholders for \$140 million.** CenTrak, Inc. provides real time location systems to healthcare facilities in the United States, Asia, Europe, and the Middle East.

**2/3/16 - LTC Properties Inc. (NYSE:LTC) acquired skilled nursing center in Texas for \$16 million.** LTC has been investing in a diverse, high-quality portfolio of seniors housing and healthcare properties that today spans 29 states.

**2/2/16 - Forefront Dermatology acquired Westmoreland Dermatology Associates.** Westmorland Dermatology Associates provides medical and cosmetic laser treatments across Western Pennsylvania.

**2/1/16 - Grey Healthcare Group, Inc. acquired The Lathe, LLC.** The Lathe, LLC operates as a digital design and development company that focuses on helping healthcare organizations utilize Web and mobile technologies to connect patients, caregivers and professionals.

**1/27/16 - Pamplona Capital Partners acquired MedAssets, Inc. (NasdaqGS:MDAS) for \$2.7 billion.** MedAssets, Inc., a performance improvement company, provides technology-enabled products and services for hospitals, health systems, non-acute healthcare providers, payers, and other service providers and product manufacturers in the United States.

**1/19/16 - ExamWorks, Inc. acquired Advanced Medical Reviews, Inc. from Eytan Alpern and Barak Mevorak for \$39.8 million in cash.** Advanced Medical Reviews, Inc. provides medical case review and utilization management services to the healthcare sector.

**1/4/16 - Quality Systems Inc. (NasdaqGS:QSII) acquired HealthFusion Holdings, Inc. for \$190 million.** HealthFusion develops Web-enabled computing software products and communication services to healthcare providers through its Internet portal.

## Capital Markets

	% Change			
	Q2 2015	Q3 2015	Q4 2015	YTD
Healthcare Medical Devices	(1.2%)	(5.0%)	7.5%	6.1%
Healthcare IT	(0.3%)	(14.7%)	4.9%	(13.8%)
Healthcare Services	16.2%	(14.7%)	(6.0%)	(1.4%)
Medical Laboratory Services	(4.4%)	(13.9%)	11.5%	(5.5%)
S&P 500	0.2%	(7.6%)	4.7%	(0.5%)
<b>Healthcare Medical Devices:</b> NYSE:JNJ, NYSE:MDT, NYSE:SYK, LSE:SN., NYSE:ZBH				
<b>Healthcare IT:</b> NYSE:MCK, NYSE:IMS, NasdaqGS:MDRX, NasdaqGS:CERN, NasdaqGS:ATHN				
<b>Healthcare Services:</b> NYSE:KND, NYSE:FVE, NYSE:HLS, NasdaqGS:ENSG, NYSE:UHS				
<b>Medical Laboratory Services:</b> NasdaqGM:AIQ, NYSE:LH, NYSE:DGX, NasdaqCM:PMD, NasdaqGM:RDNT				



**Decision Resources, Inc.**

**acquired**



**Completed**

February 29, 2016

**Notes**

Decision Resources, Inc. acquired Adaptive Software LLC for \$24.5 million. Under the terms, \$7.4 million of the total consideration will be paid on closing, an additional \$11.1 million if and when Adaptive meets certain post-closing requirements and additional payments up to \$6 million in aggregate based on the future performance of the Adaptive business. In 2015, Adaptive generated revenues of \$3.2 million.



**acquired**



**Completed**

February 10, 2016

**Notes**

Constellation Healthcare Technologies completed a share purchase agreement to acquire MDRX Medical Billing LLC for \$30 million in cash. Constellation will pay a maximum cash consideration of up to \$30.0 million, with \$28.0 million payable upon completion and up to a further \$2.0 million in cash based on the fulfillment of certain revenue targets by MDRX during the following two years. Unaudited management accounts for the 12 months to August 31, 2015 show revenues of \$31.6 million, underlying EBITDA of \$4.8 million and net assets of \$2.3 million as at that date.



**acquired**



**Completed**

February 5, 2016

**Notes**

Halma plc (LSE:HLMA) acquired CenTrak, Inc. from private shareholders for \$140 million in cash. The acquisition was funded from Halma's existing cash and debt facilities. As on December 31, 2015 CenTrak reported revenue of \$43.8 million and gross assets of \$26.2 million. The CenTrak Chief Executive Officer and management team will continue to operate the business out of its current locations.



acquired



**Completed**

January 27, 2016

**Notes**

Pamplona Capital Management acquired MedAssets, a healthcare performance improvement company. Pamplona paid \$31.35 per share for the company, valuing the deal at about \$2.7 billion. MedAssets, Inc., a performance improvement company, provides technology-enabled products and services for hospitals, health systems, non-acute healthcare providers, payers, and other service providers and product manufacturers in the United States.



acquired



**Completed**

January 19, 2016

**Notes**

ExamWorks, Inc. acquired Advanced Medical Reviews, Inc. from Eytan Alpern and Barak Mevorak for \$39.8 million in cash. Under the terms of the transaction, ExamWorks paid consideration of \$30 million upon closing and remaining \$9.8 million will be paid based on revenues to be generated from a new client over a 24-month period. Also, an amount equal to \$3 million will be kept in escrow which will be released 12 months after the closing.



acquired



**Completed**

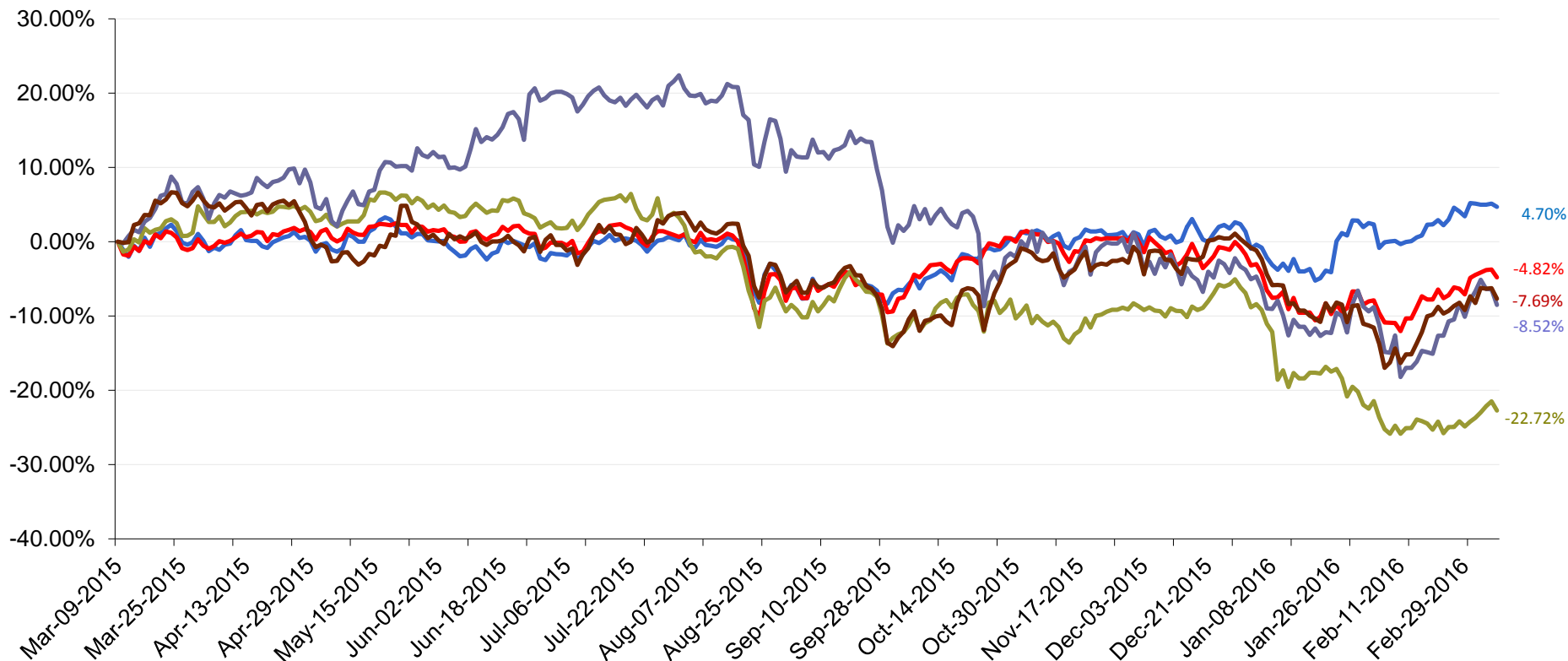
January 4, 2016

**Notes**

Quality Systems, Inc. (NASDAQ: QSII), acquired HealthFusion Holdings, Inc. (HealthFusion) for \$165 million plus the potential additional contingent consideration of up to \$25 million. HealthFusion is a leading developer of web-based, cloud computing software for physicians, hospitals and medical billing services. QSi develops and markets electronic health records, practice management, revenue cycle management, and interoperability solutions.

# Capital Markets: Last 52 Weeks' Index Performances

Q1 2016

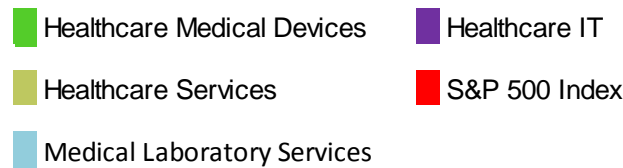
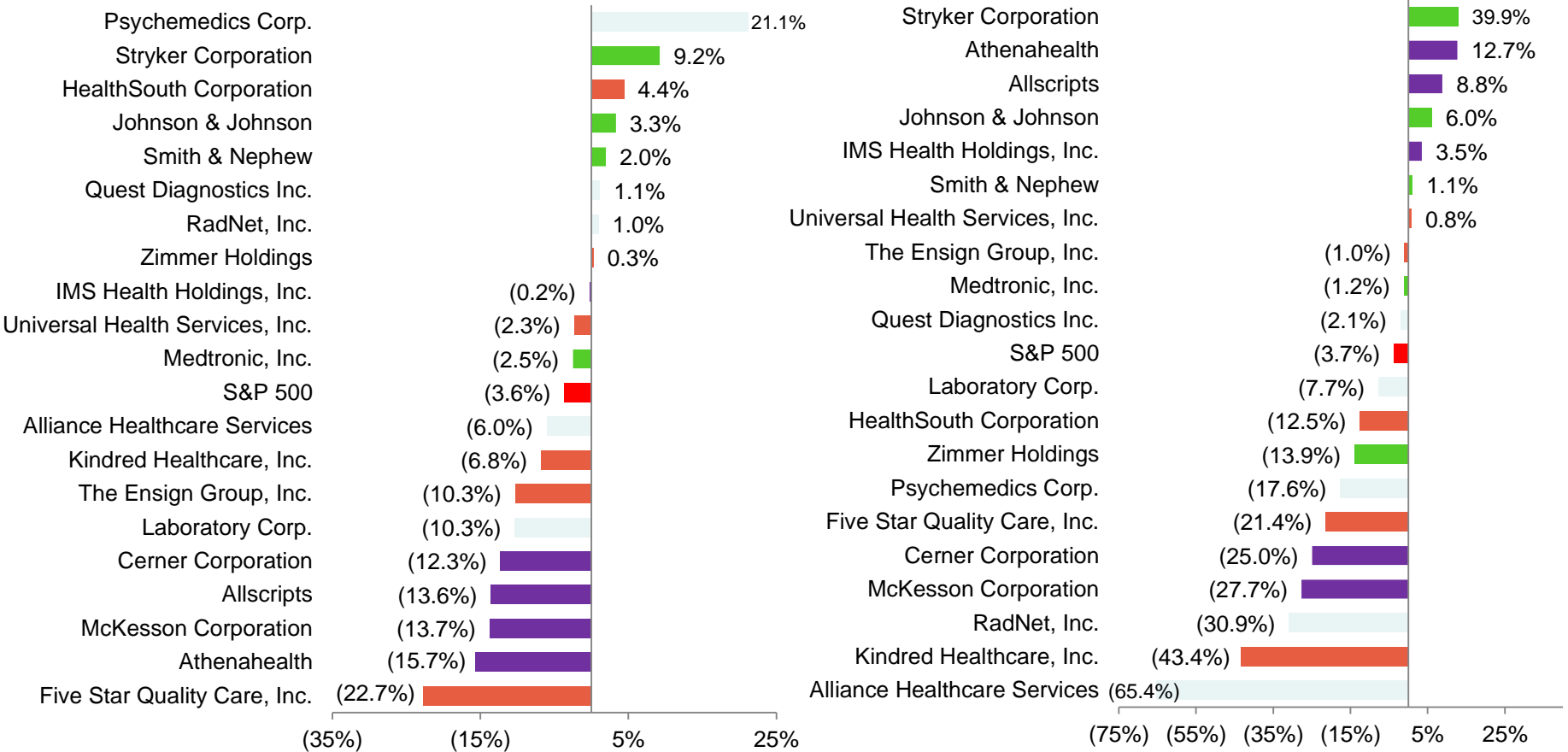


— Medical Devices: JNJ, MDT, SYK, SN., ZBH  
— Healthcare IT: MCK, IMS, MDRX, CERN, ATHN  
— Medical Laboratory: AIQ, LH, DGX, PMD, RDNT  
— S&P 500 (^SPX) - Index Value  
— Healthcare Services: KND, FVE, HLS, ENSG, UHS

	% Change			
	Q2 2015	Q3 2015	Q4 2015	YTD
Healthcare Medical Devices	(1.2%)	(5.0%)	7.5%	6.1%
Healthcare IT	(0.3%)	(14.7%)	4.9%	(13.8%)
Healthcare Services	16.2%	(14.7%)	(6.0%)	(1.4%)
Medical Laboratory Services	(4.4%)	(13.9%)	11.5%	(5.5%)
S&P 500	0.2%	(7.6%)	4.7%	(0.5%)

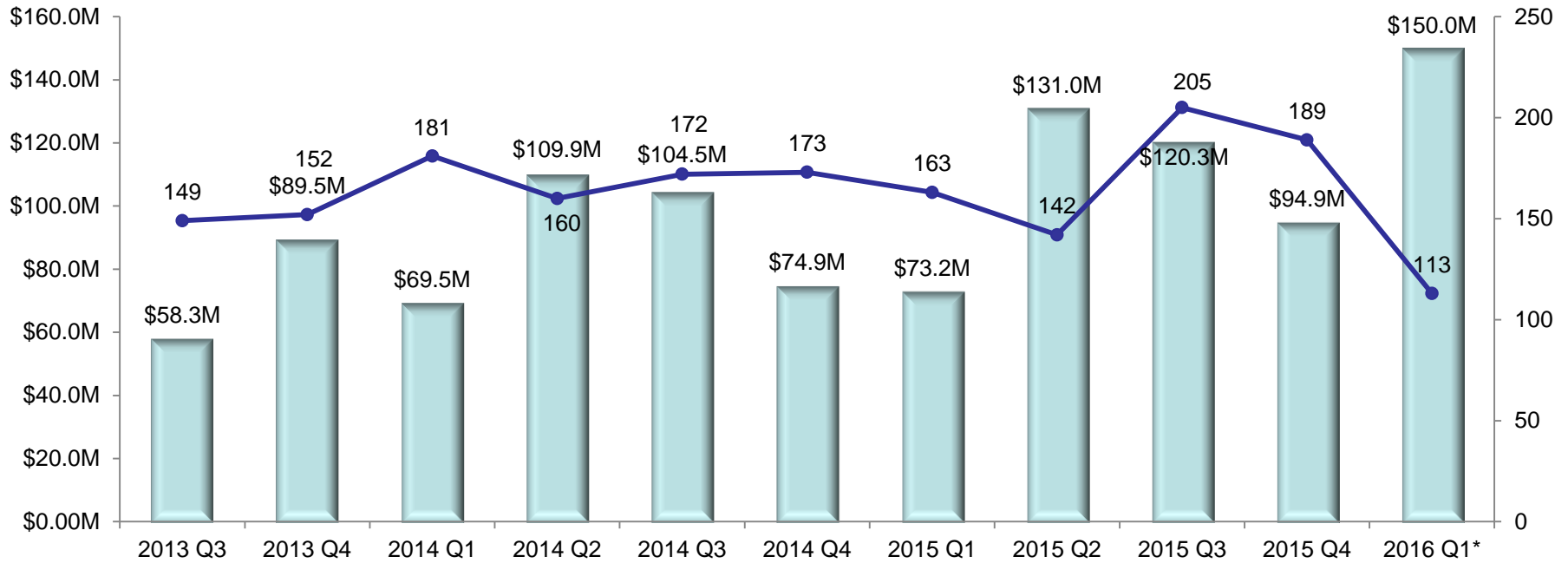
## Last Three Months

## Last 52 Weeks



# Private Equity Buyouts In Healthcare With Median Deal Size & Deal Count

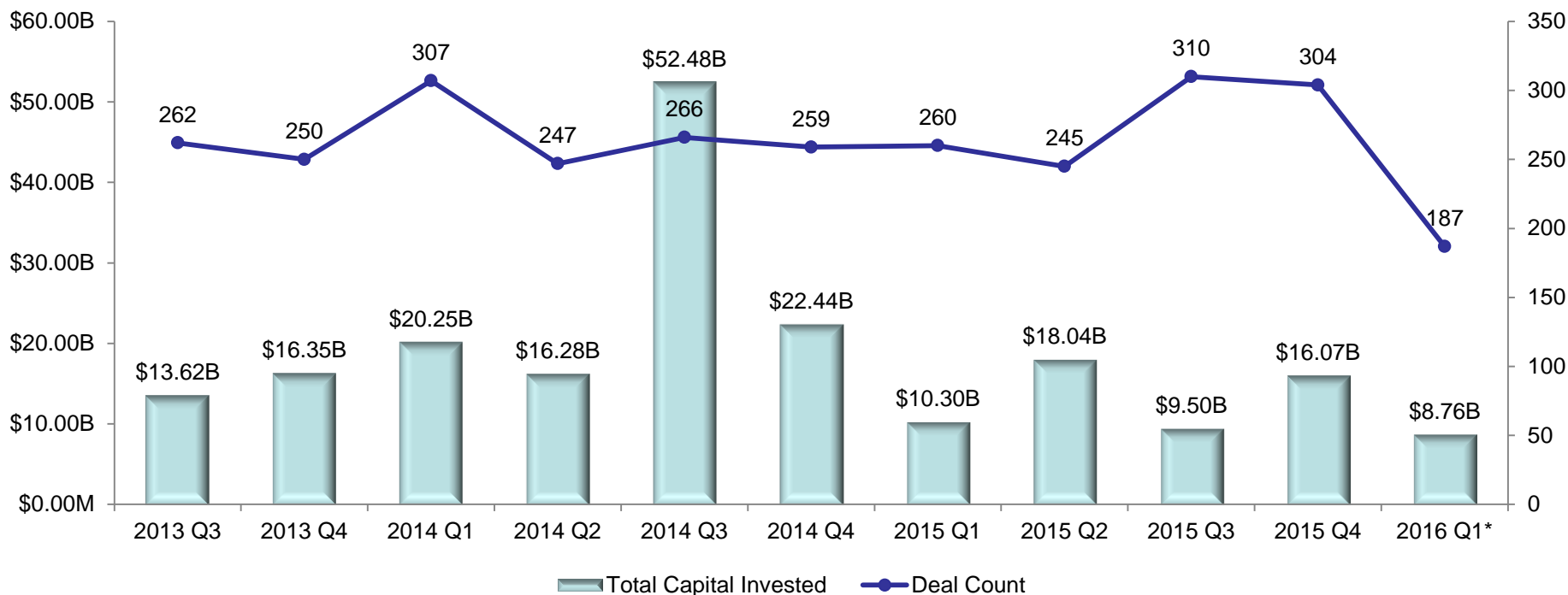
Q1 2016



Time Period (11 Quarter)	Median Deal Size	Deal Count
2013 Q3	\$58.3M	149
2013 Q4	\$89.5M	152
2014 Q1	\$69.5M	181
2014 Q2	\$109.9M	160
2014 Q3	\$104.5M	172
2014 Q4	\$74.9M	173
2015 Q1	\$73.2M	163
2015 Q2	\$131.0M	142
2015 Q3	\$120.3M	205
2015 Q4	\$94.9M	189
2016 Q1*	\$150.0M	113

# Overall Private Equity Investments In Healthcare Companies By Quarter




Q1 2016






Time Period (11 Quarter)	Total Capital Invested	Deal Count
2013 Q3	\$13.62B	262
2013 Q4	\$16.35B	250
2014 Q1	\$20.25B	307
2014 Q2	\$16.28B	247
2014 Q3	\$52.48B	266
2014 Q4	\$22.44B	259
2015 Q1	\$10.30B	260
2015 Q2	\$18.04B	245
2015 Q3	\$9.50B	310
2015 Q4	\$16.07B	304
2016 Q1*	\$8.76B	187



Top 3 Overperformers

Company	Market Close	Three Month Change	Recent News
 PSYCHEMEDICS CORPORATION	\$13.42	↑ 20.6%	The leader in the drug testing space Phychemedics was positively affected when the Brazilian government passed a law this year that requires professional drivers to pass a hair drug test when obtaining and renewing their commercial driver's license.
 stryker®	\$102.84	↑ 10.0%	On January 31, 2016 Stryker entered into definitive agreement to acquire Sage Products, LLC for \$2.8 billion. Sage manufactures and sells disposable health and personal care products.
 Johnson & Johnson	\$106.74	↑ 4.2%	On March 2, 2016 Johnson & Johnson Consumer Inc. agreed to acquire Hipoglos brand from The Procter & Gamble Company (NYSE:PG). Hipoglos is a diaper rash cream brand.

Top 3 Underperformers






Company	Market Close	Three Month Change	Recent News
 FIVESTAR QUALITY CARE	\$2.76	↓ -20.9%	On December 15, 2015 Five Star Quality Care Inc. (NYSE:FVE) appointed Richard A. Doyle, Jr. as Chief Financial Officer and Treasurer. Mr. Doyle replaces Mr. Paul V. Hoagland as CFO and Treasurer of Five Star effective January 1, 2016.
 athenahealth	\$138.74	↓ -14.1%	According to Politico on Feb 24, 2016 Practice Fusion may be for sale with athenahealth as a potential buyer.
 MCKESSON	\$163.04	↓ -13.7%	On March 9, 2016 e-MDs, Inc. agreed to acquire ambulatory software technology assets from McKesson Corporation (NYSE:MCK).

# Company Liquidity Estimates by Subsector






Q1 2016

(\$ millions)

## Healthcare Medical Devices Index

					
3x LTM EBITDA	\$66,348.0	\$25,707.0	\$8,001.0	\$3,564.0	\$7,006.5
Less LT Debt	19,861.0	35,834.0	4,026.0	1,480.0	11,556.3
Plus Cash	13,732.0	2,721.0	3,379.0	120.0	1,459.3
<b>Dry Powder</b>	<b>\$60,219.0</b>	<b>-\$7,406.0</b>	<b>\$7,354.0</b>	<b>\$2,204.0</b>	<b>-\$3,090.5</b>

## Healthcare Information Technology Index






					
3x LTM EBITDA	\$12,882.0	\$2,181.0	\$337.4	\$3,618.5	\$182.6
Less LT Debt	8,718.0	4,205.0	625.6	605.2	298.1
Plus Cash	3,406.0	396.0	116.9	402.1	141.9
<b>Dry Powder</b>	<b>\$7,570.0</b>	<b>-\$1,628.0</b>	<b>-\$171.3</b>	<b>\$3,415.5</b>	<b>\$26.4</b>

# Company Liquidity Estimates by Subsector






Q1 2016

(\$ millions)

## Medical Laboratory Services

					
3x LTM EBITDA	\$346.6	\$4,976.7	\$4,455.0	\$8.2	\$306.9
Less LT Debt	552.3	6,417.0	3,657.0	5.9	646.3
Plus Cash	44.8	716.4	133.0	2.7	36.1
<b>Dry Powder</b>	<b>-\$160.8</b>	<b>-\$723.9</b>	<b>\$931.0</b>	<b>\$5.0</b>	<b>-\$303.3</b>

## Healthcare Services Index

					
3x LTM EBITDA	\$1,687.5	\$80.9	\$2,118.6	\$363.6	\$4,974.0
Less LT Debt	3,161.7	112.2	3,171.5	99.7	3,450.0
Plus Cash	98.8	14.7	61.6	41.6	61.2
<b>Dry Powder</b>	<b>-\$1,375.4</b>	<b>-\$16.6</b>	<b>-\$991.3</b>	<b>\$305.5</b>	<b>\$1,585.2</b>

As a core competency and complement to our M&A practice, The McLean Group provides formal business valuation services for a variety of transaction, financial reporting, litigation, and tax purposes.

## Financial Reporting

- Purchase price allocations (ASC 805)
- Goodwill impairment tests (ASC 350)
- Analysis of long-lived assets (ASC 360)
- Stock option expense (ASC 718)
- Fresh start accounting (ASC 852)

## Equity Incentive Plans & Tax Compliance

- Employee Stock Ownership Plans (ESOPs)
- Private company equity incentive plans
- Section 409A valuations
- S corporation conversions
- Estate and gift tax valuations

## Litigation Support

- Dissenting/oppressed shareholders
- Lost profits and lost asset values
- Wrongful death and personal injury
- Buy/sell agreements and dispute resolution

## Transaction Advisory

- Fairness opinions
- Valuation due diligence
- Business modeling and forecasting
- Exit planning



Founded in 1997, The McLean Group is a national, middle market investment bank with deep expertise in a variety of industry verticals. Headquartered in McLean, VA, The McLean Group is among the largest independent middle market investment banks in the region. Our core advisory services include:

## Mergers & Acquisitions

The McLean Group uses its considerable experience and expertise in the healthcare industry to guide its clients through each stage of the mergers & acquisitions (M&A) process and ultimately identify the most probable and suitable candidates to complete transactions under the most favorable terms.






























## Strategic Consulting

The McLean Group's Strategic Consulting business provides transaction, financial and interim management services to companies ranging from start-up entities to publicly-held corporations across an assortment of industries.

## Corporate Finance

The McLean Group arranges private equity, venture capital, senior debt and subordinated debt to support clients' expansions, M&A, refinancings, recapitalizations, leveraged buyouts and other shareholder liquidity objectives.

***McLean Securities, a wholly-owned affiliate of The McLean Group, is a registered broker/dealer with the Financial Industry Regulatory Authority (FINRA) and a Member, Securities Investor Protection Corporation (SIPC).***

 <p>Care and comfort at a moment's notice.</p> <p>has been acquired by</p>  <p>In-Home Senior Care</p> <p>As M&amp;A Advisors </p>	 <p>Market Intelligence and Acquisition Support</p> <p>Pharmaceuticals</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support</p> <p>Healthcare Services</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support</p> <p>Pharmaceuticals</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support</p> <p>Specialty Pharmacy</p> <p>McLean, Markowitz &amp; McNaughton </p>
 <p>Market Intelligence and Acquisition Support</p> <p>Healthcare Services</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support</p> <p>Pharmaceuticals</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support</p> <p>Healthcare IT</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support</p> <p>Healthcare Products</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support</p> <p>Biotechnology</p> <p>McLean, Markowitz &amp; McNaughton </p>
 <p>Market Intelligence and Acquisition Support</p> <p>Medical Products</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support</p> <p>Medical Devices</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support</p> <p>Healthcare Services</p> <p>McLean, Markowitz &amp; McNaughton </p>	 <p>Market Intelligence and Acquisition Support</p> <p>Medical Products</p> <p>McLean, Markowitz &amp; McNaughton </p>	

**CBay Systems**  
WORLDCLASS ADVANTAGE

has acquired

**Emergency Dictation Services, Inc.**

**Purchase Price Allocation**  
Medical Transcription & Receivables Management Services

As Business Valuators & Financial Advisors 

**cognosante**  
minds on health

**Business Valuation**  
Government Contracting Health IT Services

As Business Valuators & Financial Advisors 


**Conmed** HEALTHCARE MANAGEMENT

**Business Valuation**  
Government Contracting Medical Healthcare Services

As Business Valuators & Financial Advisors 

**Discovery Logic**

**Business Valuation**  
Government Contracting Healthcare Datamining Services

As Business Valuators & Financial Advisors 

**getwell:network**  
HEALTH THROUGH CONNECTIVITY

**Business Valuation**  
Interactive Patient Care Solutions

As Business Valuators & Financial Advisors 

**Lansinoh.**

has acquired

**ENKO**

**Purchase Price Allocation**  
Baby Feeding Products

As Business Valuators & Financial Advisors 

**Lansinoh.**

has acquired

**mOmnia**  
Technology and Design for Today's Baby

**Purchase Price Allocation**  
Baby Feeding Products

As Business Valuators & Financial Advisors 

**mirrus**  
SYSTEMS

has acquired

**AMSplus**  
medical management solutions

**Purchase Price Allocation**  
Medical Billing & Management Solution Software

As Business Valuators & Financial Advisors 

**mirrus**  
SYSTEMS

has acquired Accounts Receivable & Reimbursable Management division of

**certus**  
Certain Actions. Certain Results.

**Purchase Price Allocation**  
Medical Transcription & Receivables Management Services

As Business Valuators & Financial Advisors 

**mpv**  
Medical Present Value

has acquired

**TeraHealth, Inc.**

**Purchase Price Allocation**  
Healthcare Related Software & Services

As Business Valuators & Financial Advisors 

**MSC**  
medical informatics & computing, inc.

**Business Valuation**  
Government Contracting Healthcare Staffing Services

As Business Valuators & Financial Advisors 

**Point of Care Technologies, Inc.**

**Fairness Opinion**  
Medical Services

As Business Valuators & Financial Advisors 

**Professional Healthcare Resources**  
Home Healthcare You Can Count On

**Business Valuation**  
Home Healthcare Services

As Business Valuators & Financial Advisors 

**PROFESSIONAL PERFORMANCE DEVELOPMENT GROUP, INC.**

**Business Valuation**  
Government Contracting Healthcare Staffing

As Business Valuators & Financial Advisors 

**Quadrant**  
INCORPORATED

**Business Valuation**  
Clinical Informatics & Healthcare Staffing

As Business Valuators & Financial Advisors 

**QUATROS**

has acquired

**MediQual**  
a division of Cardinal Health

**Purchase Price Allocation**  
Clinical Information Management

As Business Valuators & Financial Advisors 

**SimQuest**

**Business Valuation**  
Medical Training & Simulation Software

As Business Valuators & Financial Advisors 

**TRICAP**  
Technology Group

**Business Valuation**  
Online Market for Healthcare Debt

As Business Valuators & Financial Advisors 



**Team Members**

**Joe Golden**  
**Principal**  
jgolden@mcleanllc.com

**Stephen Zielinski**  
**Managing Director**  
szielinski@mcleanllc.com

**Shari Overstreet**  
**Managing Director**  
soverstreet@mcleanllc.com

**Jack Zollinger**  
**Managing Director**  
jzollinger@mcleanllc.com

**Greg Knox**  
**Managing Director**  
gknox@mcleanllc.com

**Gary Zolnierек**  
**Vice President**  
gzolnierек@mcleanllc.com

**The McLean Group**  
7918 Jones Branch Drive, Suite 750  
McLean, VA 22102  
Main: 703.827.0200  
Fax: 703.827.0175

If you were forwarded this newsletter and would like to sign up to receive it, [click here!](#)