

Healthcare Services M&A Market Update



Q3 2015

Mergers & Acquisitions
Business Valuation
Strategic Consulting



Notable M&A Activity

9/14/15 - True Health Diagnostics LLC acquired Health Diagnostic Laboratory, Inc. for \$37 million. Health Diagnostic Laboratory provides a laboratory test menu of risk factors and biomarkers for cardiovascular and related diseases.

9/1/15 - Inovalon Holding (NasdaqGS:INOV) acquired Avalere Health LLC for \$139.9 million. Avalere provides analysis, insight, strategy, and tools to help clients find business strategies and healthcare policies to further their organizational objectives.

8/31/15 - MPT Operating Partnership acquired Capella Healthcare, Inc. from by GTCR, LLC for \$1.47 billion. Capella Healthcare, through its subsidiaries, provides general and specialized acute care, outpatient, and other medically necessary services primarily in non-urban communities in the US.

8/20/15 - Opko Health, Inc. (NYSE:OPK) acquired Bio-Reference Laboratories Inc. (NasdaqGS:BRLI) for \$1.5 billion in stock. Bio-Reference Laboratories provides clinical laboratory testing services for the detection, diagnosis, evaluation, monitoring, and treatment of diseases in the US.

8/18/15 - CVS Pharmacy, Inc. (NYSE:CVS) acquired Omnicare Inc. (NYSE:OCR) for \$11.3 billion. Omnicare provides a broad array of pharmacy-related services to long term care facilities and to other customers in the health care environment.

8/6/15 - Mesa Laboratories Inc. (NasdaqGS:MLAB) acquired North Bay Bioscience, LLC for \$11.3 million. North Bay Bioscience provides infection control solutions and supplies to healthcare professionals in North America.

8/4/15 - Ventas, Inc. (NYSE:VTR) acquired Ardent Health Services for \$1.75 billion. Ardent Health Services, through its subsidiaries, owns and operates a network of US health systems. The company operates acute care hospitals, a rehabilitation hospital, multi-specialty physician groups, a member health plan, and retail pharmacies.

7/31/15 - Premier Healthcare Solutions, Inc acquired Healthcare Insights, LLC for \$69 million. Healthcare Insights provides financial management software solutions for hospitals and healthcare-related businesses.

7/23/15 - OptumRx, Inc. acquired Catamaran Corporation (TSX:CCT) from Covington Capital and T. Rowe Price Associates for \$12.8 billion in cash. Catamaran Corporation provides pharmacy benefit management (PBM) services and healthcare information technology (HCIT) solutions to the healthcare benefits management industry in North America.

6/24/15 - Zimmer Biomet Holdings, Inc. (NYSE:ZBH) acquired LVB Acquisition, Inc. (BioMet) from an investor group including Goldman Sachs, TPG Capital, L.P. and The Blackstone Group for approximately \$13.3 billion. LVB Acquisition, through its subsidiary, Biomet, Inc., manufactures and distributes surgical products.

Capital Markets

	Q1 2015	Q2 2015	Q3 2015	YTD
Healthcare Medical Devices	(4.2%)	1.2%	(2.8%)	(8.4%)
Healthcare IT	7.6%	0.3%	(7.3%)	(1.3%)
Healthcare Services	8.9%	(14.1%)	(5.9%)	16.8%
Medical Laboratory Services	13.3%	4.6%	(4.6%)	3.2%
S&P 500	0.4%	(0.2%)	(4.0%)	(3.1%)

Healthcare Medical Devices: NYSE:JNJ, NYSE:MDT, NYSE:SYK, LSE:SN., NYSE:ZBH

Healthcare IT: NYSE:MCK, NYSE:IMS, NasdaqGS:MDRX, NasdaqGS:CERN, NasdaqGS:ATHN

Healthcare Services: NYSE:KND, NYSE:FVE, NYSE:HLS, NasdaqGS:ENSG, NYSE:UHS

Medical Laboratory Services: NasdaqGM:AIQ, NYSE:LH, NYSE:DGX, NasdaqCM:PMD, NasdaqGM:RDNT



acquired



Completed

September 14, 2015

Notes

True Health Diagnostics (True Health), a clinical diagnostics laboratory focused on preventing chronic disease, acquired Richmond-based Health Diagnostics Laboratory Inc. (HDL), in a court-supervised auction, making the Frisco-based company the largest provider in its space. True Health's winning bid during the HDL's Chapter 11 bankruptcy auction was \$37.1 million.



acquired



Completed

September 1, 2015

Notes

Inovalon Holdings (NasdaqGS:INOV) acquired Avalere Health LLC from ABS Capital Partners, Inc. through its fund ABS Capital Partners V, L.P., Daniel N. Mendelson, Tim McDonald and others for about \$140 million in cash and stock. The purchase price is comprised of \$135 million of cash and \$5 million in Class A common stock of Inovalon.



acquired



Completed

August 20, 2015

Notes

Opko Health, Inc. (NYSE:OPK) acquired Bio-Reference Laboratories, Inc. (NasdaqGS:BRLI) for \$1.5 billion in stock. Shareholders of Bio-Reference will receive 2.75 shares of OPKO common stock for each share of Bio-Reference common stock. Opko took particular interest in Bio-Reference Labs diagnostic sequencing services for rare disorders through its GeneDx business unit and its emerging cost effective tumor sequencing services through GenPath Oncology.



acquired



Completed

August 6, 2015

Notes

Mesa Laboratories Inc. (NasdaqGS:MLAB) acquired substantially all of the assets of North Bay Bioscience, LLC from Michael E. Kittendorf and Cynthia D. Kittendorf for \$11.3 million. Under the terms of the agreement, the cash consideration of \$10.2 million was paid in cash at closing and a future payment of \$1 million plus accrued interest from the date of closing to the date of payment payable will be on the first anniversary of the transaction's closing.



acquired



Completed

July 23, 2015

Notes

OptumRx, Inc. acquired Catamaran Corporation (TSX:CCT) for \$12.8 billion. The agreement called for the acquisition of Catamaran's outstanding common stock for \$61.50 per share in cash. UnitedHealth Group financed the acquisition from existing cash resources and new debt. Mark Thierer, Catamaran's former Chairman and CEO, serves as CEO of OptumRx and Timothy Wicks, the former CEO of OptumRx, is President.



acquired



Completed

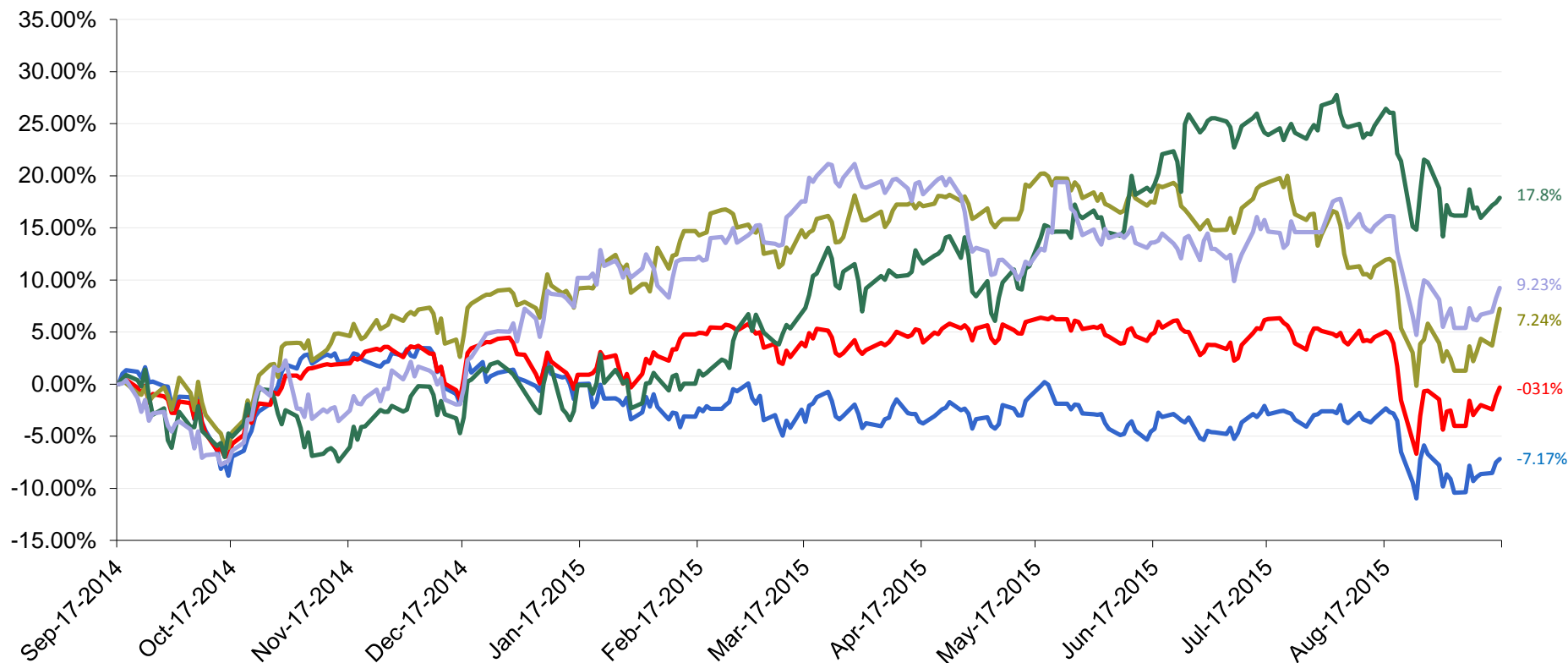
June 24, 2015

Notes

Zimmer Holdings, Inc. (NYSE:ZMH) acquired LVB Acquisitions Inc (BioMet) from TPG Capital, L.P., The Blackstone Group, Private Equity Group, Goldman Sachs, Kohlberg Kravis Roberts & Co. and others for \$13.3 billion in cash and stock. Zimmer changed its corporate name to Zimmer Biomet Holdings, Inc. and began trade on the New York Stock Exchange and the SIX Swiss Exchange under the ticker symbol ZBH.

Capital Markets: Last 52 Weeks' Index Performances

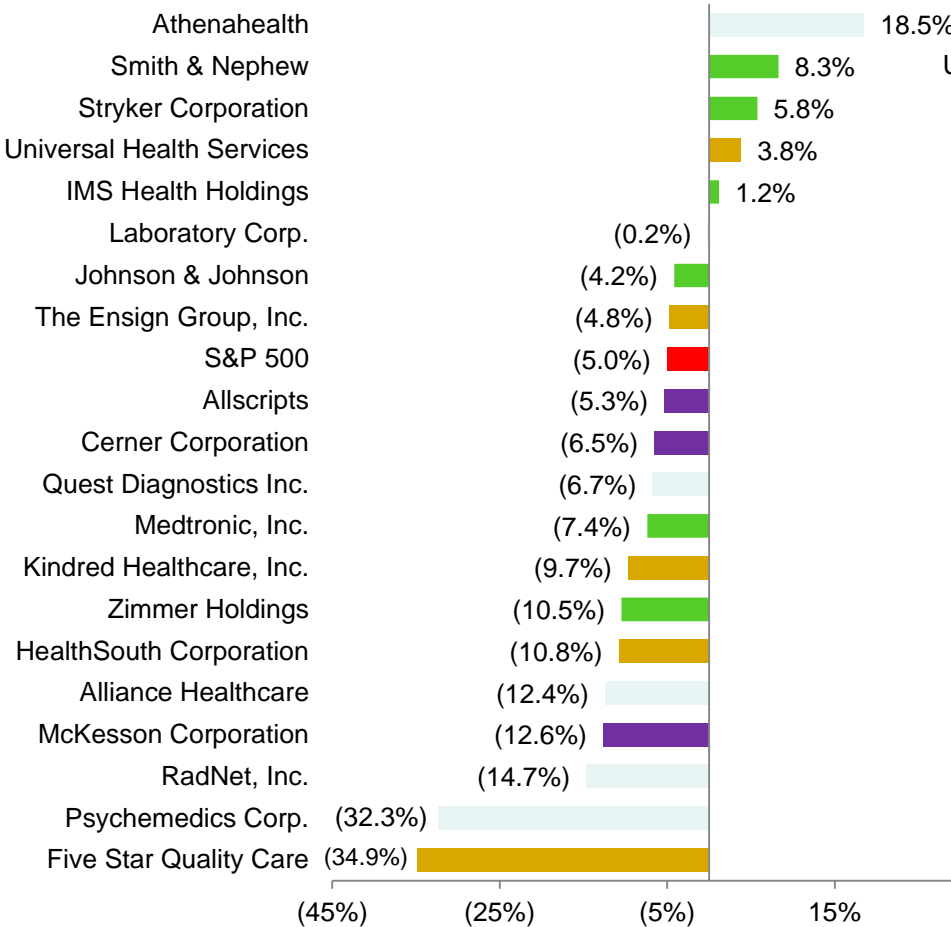
Q3 2015



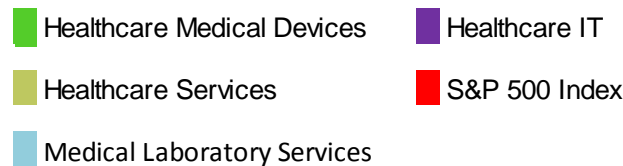
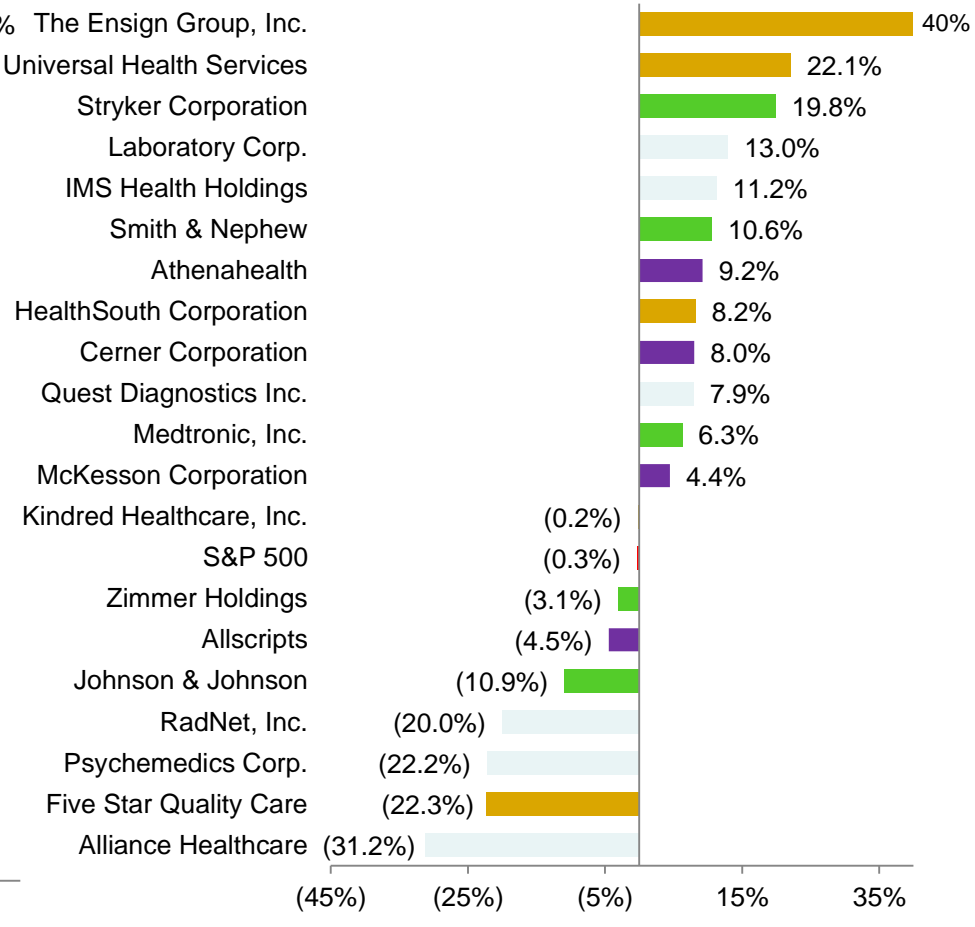
— Medical Devices: JNJ, MDT, SYK, SN., ZBH	— S&P 500 (^SPX) - Index Value
— Healthcare IT: MCK, IMS, MDRX, CERN, ATHN	— Healthcare Services: KND, FVE, HLS, ENSG, UHS
— Medical Laboratory: AIQ, LH, DGX, PMD, RDNT	

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Last Three Months

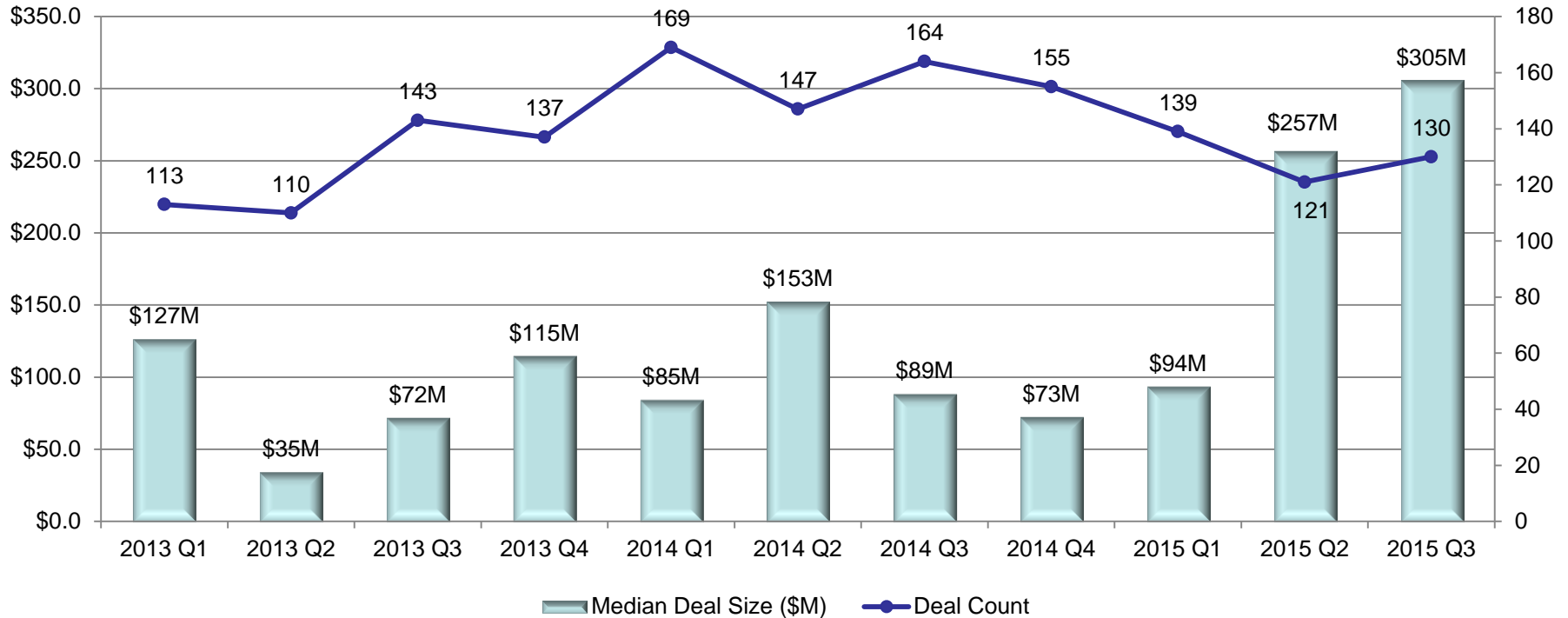


Last 52 Weeks



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

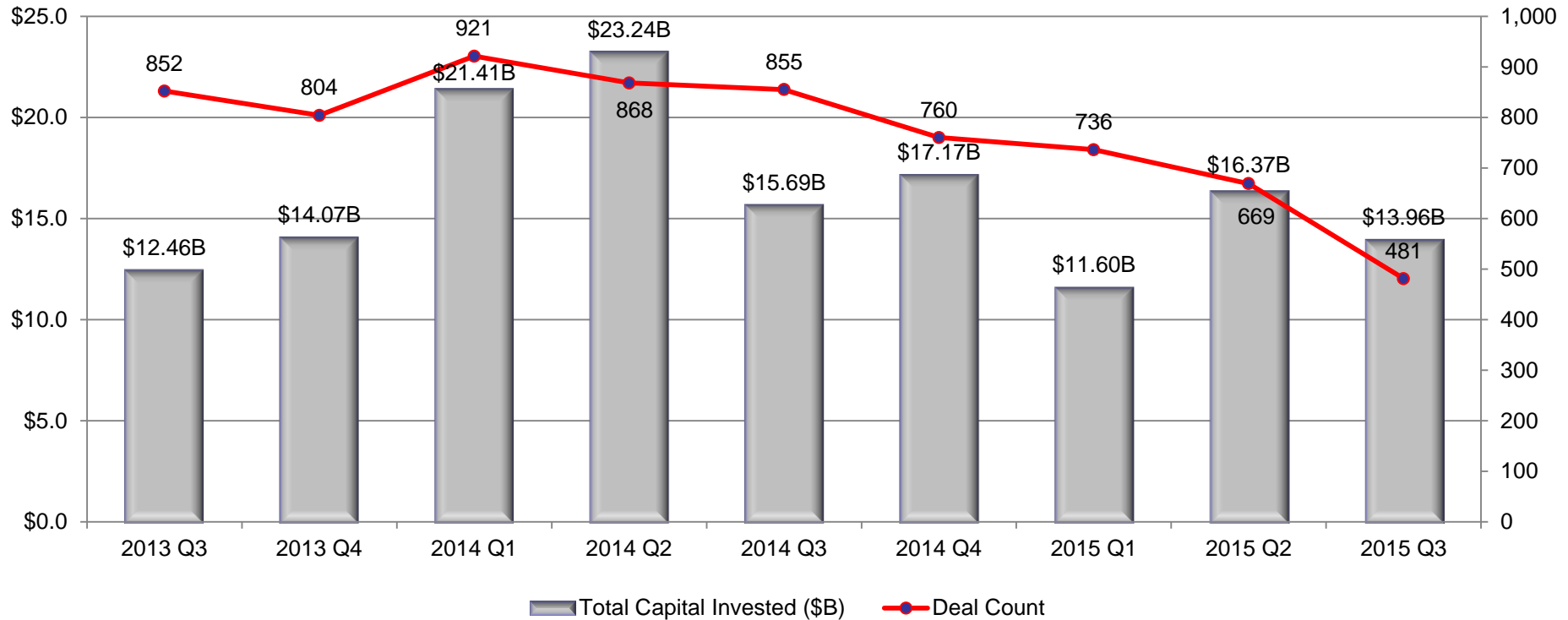
Q3 2015



Time Period	Median Deal Size (\$M)	Deal Count
2013 Q1	\$126.5	113
2013 Q2	\$34.6	110
2013 Q3	\$72.1	143
2013 Q4	\$114.9	137
2014 Q1	\$84.5	169
2014 Q2	\$152.6	147
2014 Q3	\$88.6	164
2014 Q4	\$72.6	155
2015 Q1	\$93.8	139
2015 Q2	\$256.5	121
2015 Q3	\$305.5	130



Overall Private Equity Investments In Healthcare Companies By Quarter

Q3 2015






Time Period	Total Capital Invested (\$B)	Deal Count
2013 Q3	\$12.5	852
2013 Q4	\$14.1	804
2014 Q1	\$21.4	921
2014 Q2	\$23.2	868
2014 Q3	\$15.7	855
2014 Q4	\$17.2	760
2015 Q1	\$11.6	736
2015 Q2	\$16.4	669
2015 Q3	\$14.0	481

Top 3 Overperformers

Company	Market Close	Three Month Change	Recent News
 athenahealth	\$140.07	↑ 22.8%	In a recent interview on CNBC's "On The Money" program, Athenahealth CEO Jonathan Bush said, "The lion's share of routine healthcare will be ... managed online. I'm sure of it." Athenahealth provides cloud-based record keeping and medical billing for 65,000 doctors and 62 million patients.
 UHS	\$136.32	↑ 4.3%	On September 18 th UHS put in place a definitive agreement to acquire Foundations Recovery Network, LLC for approximately \$350 million. FRN provides treatment for those with dual diagnosis substance abuse and mental health disorders.
smith&nephew	\$11.63	↑ 4.3%	On July 10 th Smith & Nephew plc (LSE:SN.) acquired DC LLC and Orthopedics Business of DeOst LLC from Deost Ltd.

Top 3 Underperformers






Company	Market Close	Three Month Change	Recent News
 FIVE STAR QUALITY CARE	\$3.14	↓ -33.9%	Five Star Quality Care Inc. (NYSE:FVE) entered into an agreement to acquire two senior living communities with a combined 152 living units for \$26 million in March 2015. Five Star expects this transaction to close during 2015.
 PSYCHEMEDICS CORPORATION	\$10.21	↓ -32.7%	On July 28 th Psychemedics announced its Q2 results where it reported \$7.0 million in revenue versus \$7.7 in the same quarter in 2014, which was a decrease of 9%. Net income also decreased significantly in this quarter versus last year's numbers.
 Alliance Healthcare	\$16.93	↓ -13.8%	On September 16 th Fujian Thaihot Investment Co., Ltd. agreed to acquire 52.6% stake in Alliance Healthcare Services, Inc. (NasdaqGM:AIQ) from OCM and others. Fujian Thaihot will acquire 5.5 million shares at \$18.5 per share.

Company Liquidity Estimates by Subsector






Q3 2015

(\$ millions)

Healthcare Medical Devices Index

					
3x LTM EBITDA	\$70,494.0	\$21,072.0	\$7,869.0	\$3,996.0	\$5,440.5
Less LT Debt	19,307.0	35,600.0	3,469.0	1,598.0	12,049.8
Plus Cash	10,639.0	2,979.0	3,626.0	88.0	1,424.6
Dry Powder	\$61,826.0	-\$11,549.0	\$8,026.0	\$2,486.0	-\$5,184.7

Healthcare Information Technology Index






					
3x LTM EBITDA	\$12,711.0	\$2,190.0	\$240.8	\$3,210.2	\$184.9
Less LT Debt	9,796.0	4,204.0	662.6	622.8	300.6
Plus Cash	5,635.0	348.0	76.5	294.0	104.9
Dry Powder	\$8,550.0	-\$1,666.0	-\$345.3	\$2,881.4	-\$10.8

Company Liquidity Estimates by Subsector






Q3 2015

(\$ millions)

Medical Laboratory Services

					
3x LTM EBITDA	\$343.8	\$4,242.6	\$4,407.0	\$12.1	\$301.9
Less LT Debt	543.1	6,787.3	3,748.0	5.5	646.7
Plus Cash	43.4	619.0	150.0	2.1	5.3
Dry Powder	-\$156.0	-\$1,925.7	\$809.0	\$8.7	-\$339.4

Healthcare Services Index

					
3x LTM EBITDA	\$1,028.4	\$44.6	\$1,801.2	\$298.1	\$4,610.5
Less LT Debt	2,877.1	86.2	2,272.3	68.4	3,140.6
Plus Cash	164.2	21.0	208.3	50.4	35.1
Dry Powder	-\$1,684.5	-\$20.5	-\$262.8	\$280.1	\$1,504.9

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.

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Market Intelligence and Acquisition Support

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Market Intelligence and Acquisition Support


Healthcare Services


McLean, Markowitz & McNaughton 



Market Intelligence and Acquisition Support


Pharmaceuticals

McLean, Markowitz & McNaughton 



Market Intelligence and Acquisition Support

Specialty Pharmacy


McLean, Markowitz & McNaughton 



Market Intelligence and Acquisition Support


Healthcare Services

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Market Intelligence and Acquisition Support

Pharmaceuticals

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Market Intelligence and Acquisition Support

Healthcare IT

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Market Intelligence and Acquisition Support

Healthcare Products

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Market Intelligence and Acquisition Support

Biotechnology

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Market Intelligence and Acquisition Support

Medical Products

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Market Intelligence and Acquisition Support

Medical Devices

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Market Intelligence and Acquisition Support

Healthcare Services

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Market Intelligence and Acquisition Support

Medical Products

McLean, Markowitz & McNaughton 

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 systems & 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

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