

CHILDS

ADVISORY PARTNERS

MERGERS & ACQUISITIONS • CAPITAL RAISES • FINANCIAL & STRATEGIC ADVISORY

HEALTHCARE SERVICES MARKET UPDATE – SPRING 2018

TRENDS & COMMENTARY

The Song Remains the Same

The number of healthcare services M&A transactions for the full year 2017 remained flat compared to 2016 at just under 1,000 deals announced. Dollar volume was noticeably higher, coming in at \$176B compared to \$71B in 2016; however, most of the difference is attributed to CVS Health's monster \$77B acquisition of Aetna. This transformative deal best exemplifies the tectonic movement created from the energy of value-based care atop the ever-rising magma of delivery costs. Provider, payor and service provider business models are colliding and converging at an accelerated pace as controlling patient outcomes across the care continuum and containing risk take center stage. Somewhere Henry J. Kaiser is nodding.

Buy Two and Call Me in the Morning

Hospital and Health System transaction volume cooled a bit in 2017, although the size of deals as measured in beds per facility hit a 10-year high as mergers between larger, regional systems picked up steam. Consolidation of hospital-based physician groups continues to follow suit – the large practice management companies remain in the driver seat for emergency medicine, anesthesiology and radiology groups seeking a larger house; however, private equity remains a competitive option for practices of scale.

Outside the hospital, private equity spending on specialty physician groups in 2017 reached levels that would make a drunken sailor blush. Transaction volume was up over 25% from 2016 and multiples sit at all-time highs for scalable practices in dermatology, dentistry, radiology and orthopedics. Activity in the gastro, pain management and vision markets is not far behind. Primary care physician groups are even getting institutional attention.

2018 is showing no signs of a hangover so there's no need to call a Doctor just yet...unless of course you're looking to buy his or her practice.

CHILDSCONNECT CONFERENCE

Our 9th annual conference, CHILDSConnect, will be on May 10th in Atlanta at The St. Regis Hotel in Buckhead. Over 400 owners, executives, and investors interested in middle market growth opportunities are registered to attend.

Key Note Presentation

Amazon: Frenemy or Foe?

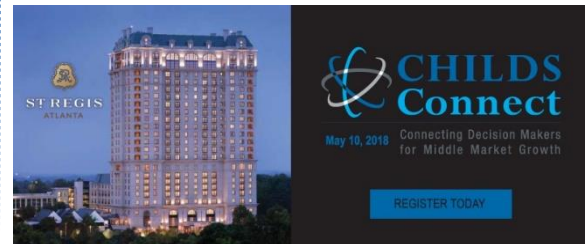
Presented by Clay Cowen, McKinsey Partner in Marketing Practice, and Steve Stafford, McKinsey Senior Advisor

Highlights

- Unique and valuable network opportunities
- Five sector updates: Healthcare, HCM, Industrial Services, IT & Professional Services, and Software
- Middle market M&A trends
- Roundtable discussions

Learn More & Register

www.childsadvisorypartners.com/childsconnect



CHILDS HEALTHCARE SERVICES TRANSACTION SPOTLIGHT

CHILDS Advisory Partners served as the exclusive financial advisor to Gwinnett Emergency Specialists, P.C. ("GES" or the "Company"), an emergency medicine physician group practice located in Lawrenceville, GA, in its sale to Envision Physician Services, a division of Envision Healthcare Corporation (NYSE: EVHC).

Since its inception, GES has provided emergency medicine services for the Gwinnett Medical Center. Today, over 70 highly-trained professionals provide emergency and observation care for GMC's two acute care hospitals which generate over 150,000 patient visits per year. Combined, these facilities include a Level II Trauma Center, a full-service Emergency Center, a dedicated Children's Emergency Center and a 20-bed Observation Unit.

GWINNETT EMERGENCY SPECIALISTS, P.C.
A PARTNERSHIP OF EMERGENCY PHYSICIANS

acquired by

Envision
HEALTHCARE

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CHILDS HEALTHCARE SERVICES SEGMENT COVERAGE



PROVIDER SERVICES

- Equipment Maintenance
- Diagnostic Lab Services
- Revenue Cycle Mgmt.
- Staffing / Recruiting
- Transport / Logistics



PHARMA SERVICES

- Clinical Trial Management
- CMPOs / CDMOs
- Contract Research
- Distribution / Logistics
- Staffing / Recruiting



PRACTICE MANAGEMENT

- Anesthesiology
- Emergency Medicine
- Dentistry / Dermatology
- Ophthalmology
- Radiology



OUTPATIENT CARE

- Behavioral Health
- Diagnostic Imaging
- Home Health
- Physical Therapy
- Surgery & Urgent Care

CHILDS RECENT HEALTHCARE SERVICES TRANSACTIONS



acquired by



Oct 2017 CHILDS
ADVISORY PARTNERS



acquired by



Jul 2017 CHILDS
ADVISORY PARTNERS



GWINNETT EMERGENCY SPECIALISTS, P.C.
A PARTNERSHIP OF EMERGENCY PHYSICIANS

acquired by



May 2017 CHILDS
ADVISORY PARTNERS



acquired by



TRAVEL NURSE ACROSS AMERICA
a portfolio company of
Gridiron Capital

Jan 2017 CHILDS
ADVISORY PARTNERS



recapitalized by



Jan 2017 CHILDS
ADVISORY PARTNERS

NOTABLE HEALTHCARE SERVICES TRANSACTIONS: Q4-2017 & Q1-2018



recapitalized by



March 2018



acquired by



March 2018



acquired by



March 2018



acquired by



February 2018



acquired by



January 2018



acquired by



January 2018



acquired by



December 2017



recapitalized by

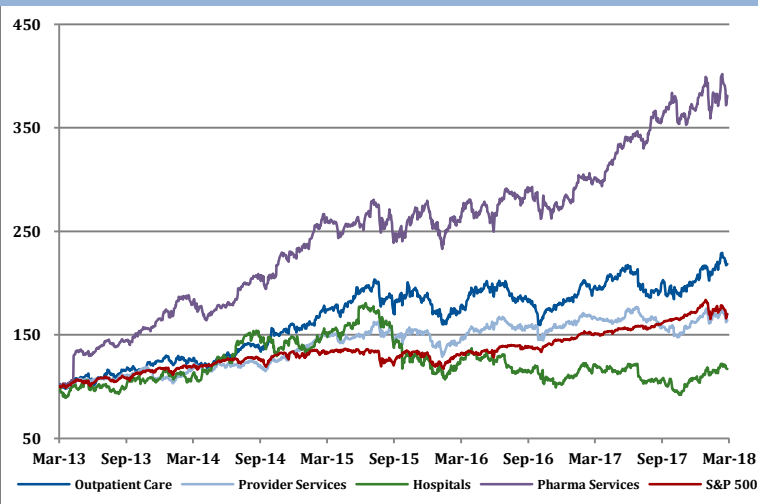


December 2017

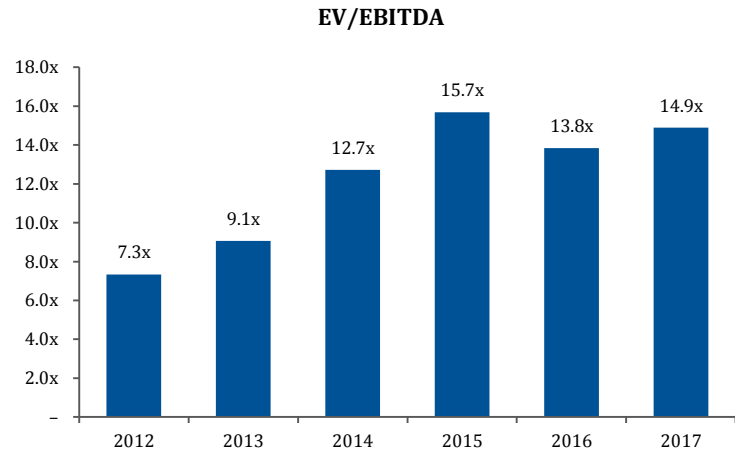
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HEALTHCARE SERVICES M&A ACTIVITY AND TRENDS

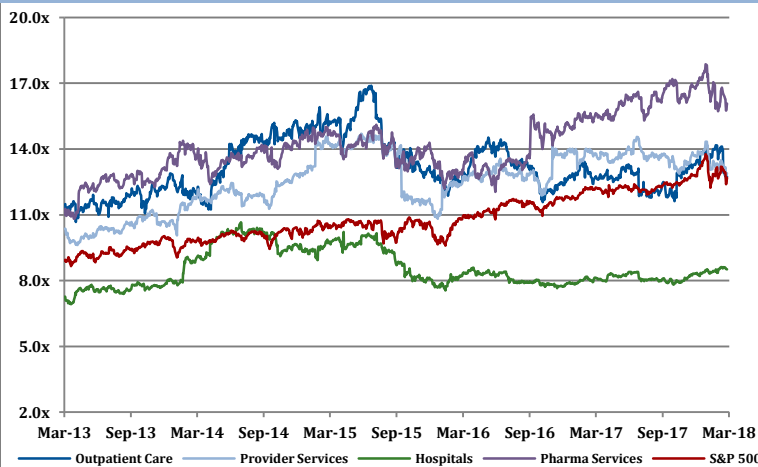
PUBLIC MARKET INDEXED STOCK PERFORMANCE



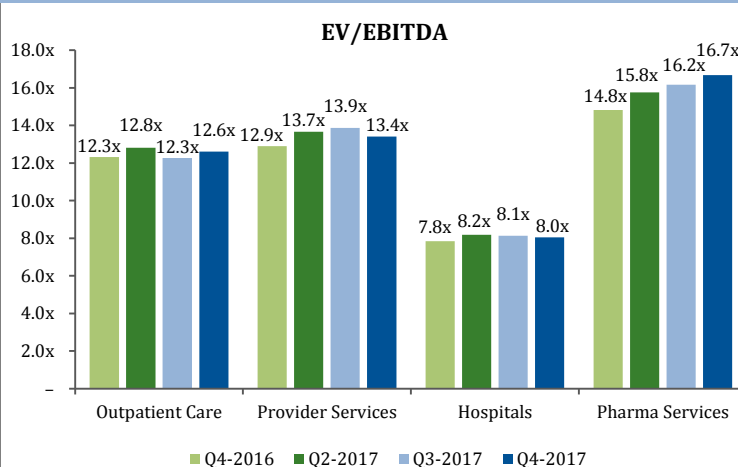
M&A VALUATIONS



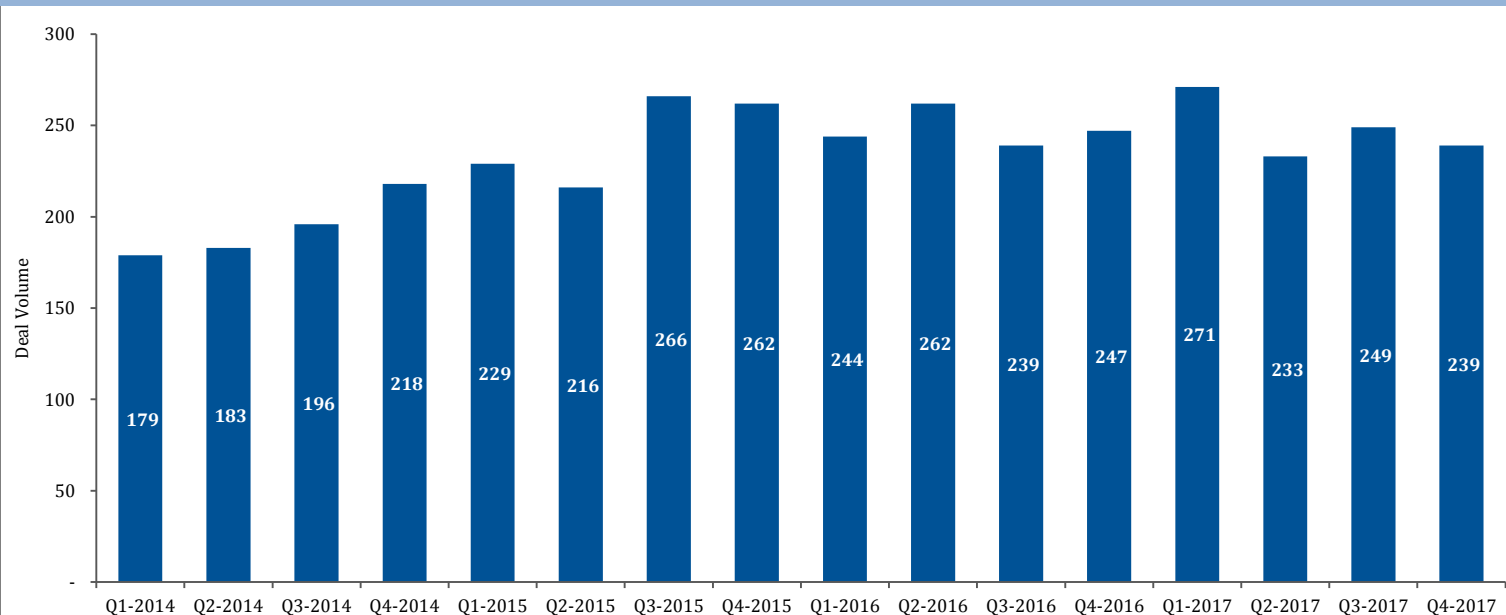
PUBLIC MARKET EV/EBITDA INDEX



PUBLIC MARKET VALUATIONS



QUARTERLY M&A DEAL VOLUME



Sources: Capital IQ and CHILDS proprietary database

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HEALTHCARE PUBLIC TRADING STATISTICS

HOSPITALS

Company Name	Market Data			Operating Statistics			EV as a Multiple of:				Growth		
	Stock Price 3/31/18	% of 52 Week High	Market Cap.	Enterprise Value	LTM			LTM		FY2019		'16 - '17 Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
Community Health Systems, Inc.	\$3.96	37.7%	\$ 443.5	\$ 14,413.5	\$ 15,353.0	\$ 901.0	5.9%	0.9x	15.7x *	1.1x	9.3x	(14.1%)	(6.3%)
HCA Healthcare, Inc.	97.00	90.8%	34,165.1	68,248.1	43,614.0	8,186.0	18.8%	1.6x	8.3x	1.4x	7.6x	4.2%	5.7%
Kindred Healthcare, Inc.	9.15	76.9%	836.4	4,180.5	6,034.1	420.7	7.0%	0.7x	9.9x	0.7x	5.0x *	(16.3%)	6.3%
LifePoint Health, Inc.	47.00	69.2%	1,832.0	4,788.0	6,291.4	669.5	10.6%	0.8x	7.2x	0.7x	6.3x	(0.2%)	12.0%
Tenet Healthcare Corporation	24.25	96.1%	2,451.9	19,329.9	19,179.0	2,259.0	11.8%	1.0x	8.0x	1.1x	7.4x	(3.3%)	4.9%
Universal Health Services, Inc.	118.41	92.4%	11,162.6	15,196.8	10,409.9	1,728.1	16.6%	1.5x	8.8x	1.3x	8.0x	6.5%	8.3%
Mean		77.2%			\$ 16,813.6	\$ 2,360.7	11.8%	1.1x	8.4x	1.0x	7.7x	(3.9%)	5.1%
Median		83.8%			12,881.4	1,314.5	11.2%	1.0x	8.3x	1.1x	7.6x	(1.7%)	6.0%

PROVIDER SERVICES

Company Name	Market Data			Operating Statistics			EV as a Multiple of:				Growth		
	Stock Price 3/31/18	% of 52 Week High	Market Cap.	Enterprise Value	LTM			LTM		FY2019		'16 - '17 Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
Envision Healthcare Corporation	\$38.43	60.0%	\$ 4,596.6	\$ 11,429.2	\$ 7,819.3	\$ 1,047.4	13.4%	1.5x	10.7x	1.3x	10.7x	122.7%	68.9%
Healthcare Services Group, Inc.	43.48	77.4%	3,203.6	3,156.2	1,866.1	135.8	7.3%	1.7x	23.2x *	1.4x	17.0x *	19.3%	13.0%
Laboratory Corporation of America Holdings	161.75	89.0%	16,482.3	22,948.5	10,205.9	1,983.3	19.4%	2.2x	11.5x	1.9x	10.1x	8.6%	19.3%
MEDNAX, Inc.	55.63	80.0%	5,192.6	6,974.9	3,458.3	583.0	16.9%	2.0x	11.9x	1.7x	10.4x	7.4%	12.3%
Quest Diagnostics Incorporated	100.30	88.8%	13,619.1	17,540.1	7,709.0	1,554.0	20.2%	2.3x	11.0x	2.2x	10.5x	2.6%	1.2%
RadNet, Inc.	14.40	99.7%	694.5	1,260.7	922.2	118.5	12.9%	1.4x	9.5x	1.3x	7.9x	3.1%	8.7%
Mean		82.5%			\$ 5,330.1	\$ 903.7	15.0%	1.8x	10.9x	1.6x	9.9x	27.3%	20.6%
Median		84.4%			5,583.7	815.2	15.1%	1.9x	11.0x	1.5x	10.4x	8.0%	12.7%

PHARMA SERVICES

Company Name	Market Data			Operating Statistics			EV as a Multiple of:				Growth		
	Stock Price 3/31/18	% of 52 Week High	Market Cap.	Enterprise Value	LTM			LTM		FY2019		'16 - '17 Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
Cardinal Health, Inc.	\$62.68	75.7%	\$ 19,725.8	\$ 28,268.8	\$ 132,614.0	\$ 3,159.0	2.4%	0.2x *	8.9x *	0.2x *	8.4x *	3.8%	12.2%
Catalent, Inc.	41.06	85.8%	5,474.1	7,877.2	2,299.7	461.0	20.0%	3.4x	17.1x	2.8x	12.3x	19.9%	7.6%
Charles River Laboratories International, Inc.	106.74	89.7%	5,062.6	6,034.3	1,857.6	446.7	24.0%	3.2x	12.9x	2.6x	10.8x	11.9%	12.7%
ICON Public Limited Company	118.14	94.8%	6,389.2	6,377.6	1,758.4	404.9	23.0%	3.6x	15.8x	2.6x	13.0x	5.2%	5.4%
IQVIA Holdings Inc.	98.11	88.7%	20,433.4	29,902.4	8,060.0	1,699.0	21.1%	3.7x	17.5x	2.8x	12.4x	49.5%	24.6%
PRA Health Sciences, Inc.	82.96	86.5%	5,292.1	6,451.3	1,948.4	339.1	17.4%	3.3x	19.0x	2.2x	12.9x	22.4%	15.4%
Mean		87.5%			\$ 24,208.0	\$ 1,681.1	19.0%	3.5x	17.0x	2.6x	12.3x	16.1%	12.2%
Median		88.7%			2,299.7	461.0	21.1%	3.4x	17.3x	2.6x	12.4x	11.9%	12.2%

OUTPATIENT CARE

Company Name	Market Data			Operating Statistics			EV as a Multiple of:				Growth		
	Stock Price 3/31/18	% of 52 Week High	Market Cap.	Enterprise Value	LTM			LTM		FY2019		'16 - '17 Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
Acadia Healthcare Company, Inc.	\$39.18	72.1%	\$ 3,458.5	\$ 6,653.6	\$ 2,836.3	\$ 580.9	20.5%	2.3x	11.5x	2.1x	9.7x	213.7%	41.3%
Amedisys, Inc.	60.34	91.5%	2,050.6	2,054.2	1,508.6	128.3	8.5%	1.4x *	15.6x	1.3x	12.4x	6.2%	8.3%
DaVita Inc.	65.94	81.7%	11,949.9	21,941.8	10,883.7	2,409.0	22.1%	2.0x	9.1x *	1.8x	9.6x	4.3%	(5.2%)
Encompass Health Corporation	57.17	96.4%	5,610.6	8,597.7	3,919.0	833.2	21.3%	2.2x	10.2x	1.9x	9.7x	6.5%	NM
LHC Group, Inc.	61.56	80.9%	1,913.7	2,126.3	1,062.6	89.7	8.4%	2.0x	23.7x *	1.1x	11.2x	16.1%	14.0%
Surgery Partners, Inc.	17.15	71.3%	833.7	4,160.1	1,312.5	229.6	17.5%	3.2x	17.6x	2.2x	15.1x	16.0%	49.4%
U.S. Physical Therapy, Inc.	81.30	92.9%	1,030.2	1,173.1	410.4	65.0	15.8%	2.9x	18.0x	2.7x *	18.7x *	14.6%	10.9%
Mean		83.8%			\$ 3,133.3	\$ 619.4	16.3%	2.4x	14.6x	1.7x	11.3x	39.6%	19.8%
Median		81.7%			1,508.6	229.6	17.5%	2.3x	15.6x	1.9x	10.5x	14.6%	12.4%

Source: Capital IQ

\$ in millions except for Share Price values

* Denotes values excluded from the mean and median

CHILDS Advisory Partners

EXTENSIVE HEALTHCARE SERVICES EXPERIENCE



Sell-side advisor to Cirrus Medical Staffing on its sale to Webster Capital

- Travel nurse staffing services with unique international back office operations



Sell-side advisor to Accountable Healthcare Staffing on its recapitalization with Mitsui & Co.

- Healthcare staffing services to hospitals and other outpatient facilities



Sell-side advisor to Gwinnett Emergency Specialists on its sale to Envision Healthcare

- Emergency medicine practice serving 150,000 annual visits in greater Atlanta market



Sell-side advisor to Trinity Healthcare Staffing Group on its sale to Travel Nurse Across America

- Travel nurse staffing and workforce management services



Sell-side advisor to PharmaLogics Recruiting on its recapitalization with Webster Capital

- Recruitment Process Outsourced services to global life sciences market



Sell-side advisor to Travel Nurse Across America on its recapitalization with Gridiron Capital

- Travel nurse staffing services, including training & testing, to US hospitals



Sell-side advisor to HMS Consulting Group on its sale to HCTec

- Workforce management solutions for the healthcare industry



Sell-side advisor to InterMed on its recapitalization with Wafra Partners

- Medical equipment management services to US hospitals



Sell-side advisor to McKinnis on its sale to Navigant

- Revenue cycle management consulting services to US healthcare organizations



Sell-side advisor to Advanced Medical on its recapitalization with Clearview Capital

- Occupational, physical and speech therapy staffing solutions



Sell-side advisor to aspen advisors on its sale to The Chartis Group

- HCIT consulting, implementation and optimization services



Sell-side advisor to ScribeAmerica on its recapitalization with Chicago Growth Partners

- Medical scribe education, training and managed services to hospitals



Sell-side advisor to locum leaders on its sale to Onward Healthcare

- Physician staffing services to US healthcare systems and practice management organizations



Sell-side advisor to Sharp Packaging on its sale to UDG Healthcare

- Outsourced pharmaceutical primary and secondary packaging services



Sell-side advisor to Nursefinders on its recapitalization with Goldman Sachs UIG

- Travel and per diem healthcare staffing services to US hospitals



Sell-side advisor to NLS Animal Health on its sale to Henry Schein

- National distributor of veterinary medicine pharmaceuticals

CHILDS Advisory Partners

FIRM OVERVIEW

QUICK FACTS

- 47 professionals across four offices in the U.S. with headquarters in Atlanta
- 84 Closed Transactions Since Beginning of 2014
- Over 450 Middle Market Transactions Completed (EV less than \$1B)
- 60% financial / 40% strategic buyer mix
- Market-leading close rate

ACCOLADES



- 2016 US Boutique Investment Bank of the Year Winner
- 2014 Cross-Border Transaction of the Year Finalist
- 2014 Professional Services Transaction of the Year Finalist
- 2013 Strategic Acquisition of the Year Winner

CORE COVERAGE

INDUSTRIAL

HEALTHCARE

HUMAN CAPITAL

TECHNOLOGY

MERGERS & ACQUISITIONS

CAPITAL RAISES

FINANCIAL ADVISORY

HEALTHCARE SERVICES TEAM



Ross DeDeyn
Managing Director

- Former healthcare investment banker with UBS and Piper Jaffray
- 15 years of investment banking experience
- JD from University of Georgia School of Law and MBA from Columbia Business School



Cooper Mills
Managing Director

- Founded and led Robinson-Humphrey's Business Services practice starting in 1992
- Executed over 100 Professional Services transactions
- MBA from Darden School of Business at University of Virginia



Jason Wallace
Managing Director

- Former Managing Director for Blackstone Advisory Partners, the M&A advisory arm of Blackstone
- 20 years of investment banking experience, executing \$40B+ of M&A transactions
- MBA from Harvard Business School



Dave Phillips
Managing Director

- Former executive at MPS Group and Volt Information Sciences
- Sourced and executed over 50 Professional Services transactions
- Focuses on corporate and business development strategy



Steve Dyott
Director

- Prior corporate finance and restructuring experience with FTI Consulting
- Over 10 years of investment banking experience
- BS in Economics from Vanderbilt University, summa cum laude



Ryan Sugrue
Vice President

- Prior M&A experience with Piper Jaffray
- JD from University of Georgia School of Law and MBA from Terry College of Business at the University of Georgia



Robert Womble
Vice President

- Prior M&A experience with FMI Capital Advisors
- Over 6 years of investment banking experience
- BS in Business Administration from Washington & Lee University