



Sectorwatch: Home Medical Equipment

August 2018

Home Medical Equipment

August 2018

- Sector Dashboard [4]
- Public Basket Performance [5]
- Operational Metrics [7]
- Valuation Comparison [10]
- Recent Deals [13]
- Appendix [14]

Overview

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.



Public Basket Performance

- Summary valuation and operating metrics for a basket of comparable public companies



Valuation Comparison

- Graphical, detailed comparison of valuation multiples for the public basket



Recent Deals

- The most recently announced deals in the sector



Dashboard



Revenue Growth Momentum

↓ -0.05

1 - year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining

Pricing / Gross Margin Momentum

↑ 0.3%

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin exceeds the average of the last 3 years gross profit margin by this amount, indicating supplier pricing power

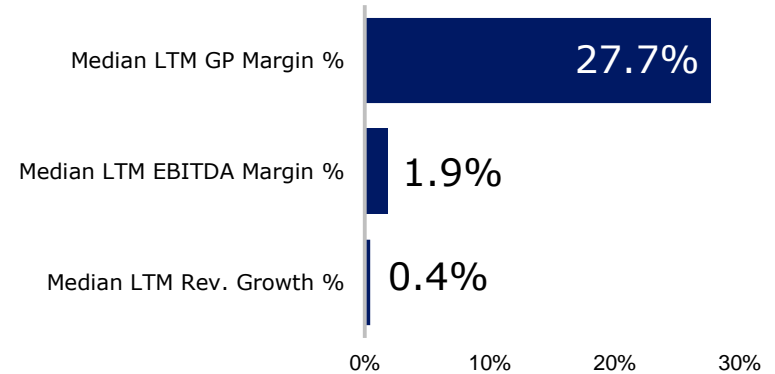
Profitability Momentum

↓ -0.5%

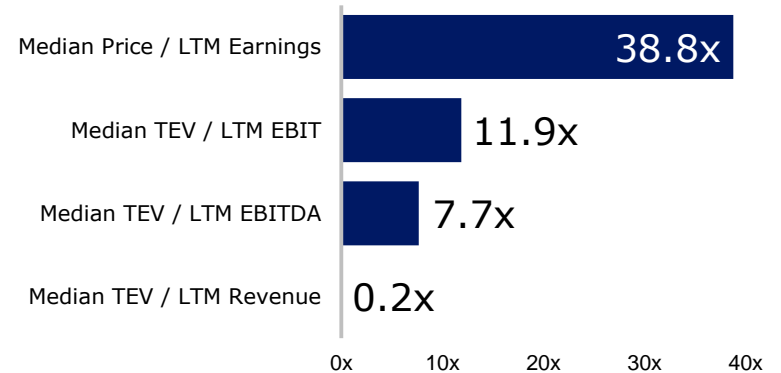
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

Operating Metrics



Valuation



Public Basket

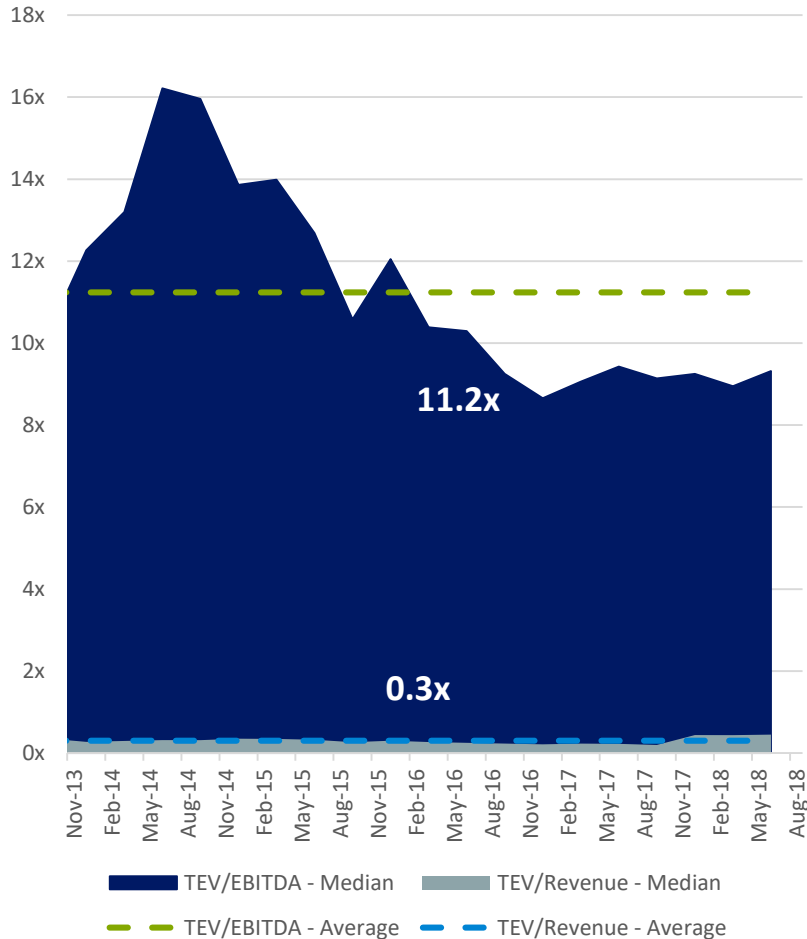


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Progressive Care, Inc.	-	10	-13%	30%	-3%	0.0	0.0	31	324
Viemed Healthcare, Inc.	144	51	0%	74%	23%	2.9	12.7	208	245
Invacare Corporation	683	984	0%	28%	-1%	0.7	0.0	4,200	234
Cardinal Health, Inc.	22,299	136,809	5%	5%	2%	0.2	7.7	50,000	2,736
McKesson Corporation	33,940	209,913	5%	5%	2%	0.2	9.0	58,000	3,619

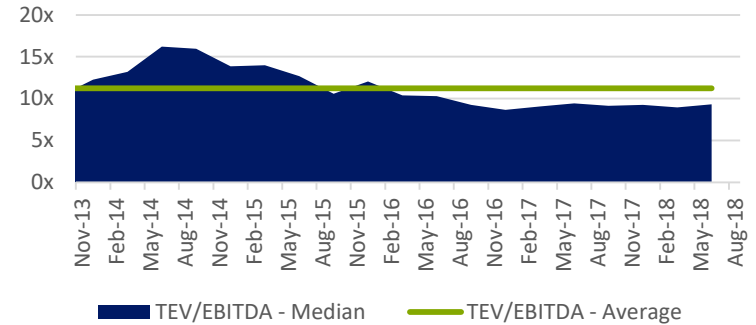
Average	11,413	69,554	-1%	29%	5%	0.8	5.9	22,488	1,432
Median	683	984	0%	28%	2%	0.2	7.7	4,200	324

share price as of 13Aug18

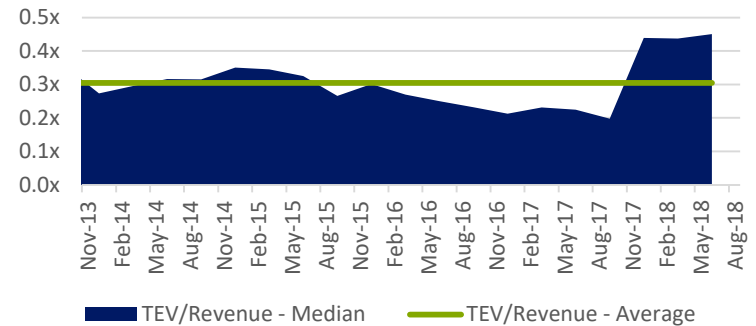
Public Basket Valuation Trends



Public EBITDA Multiples over Time



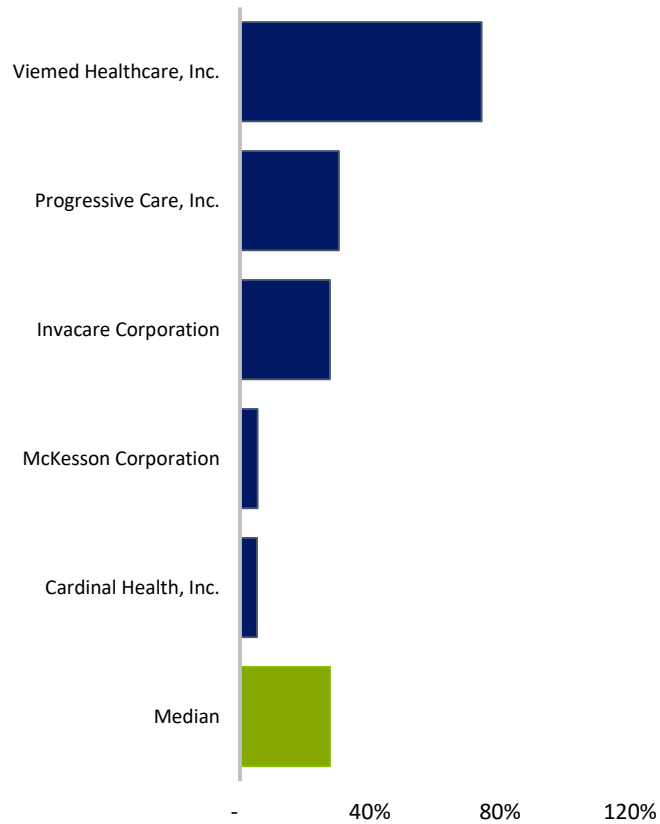
Public Revenue Multiples over Time



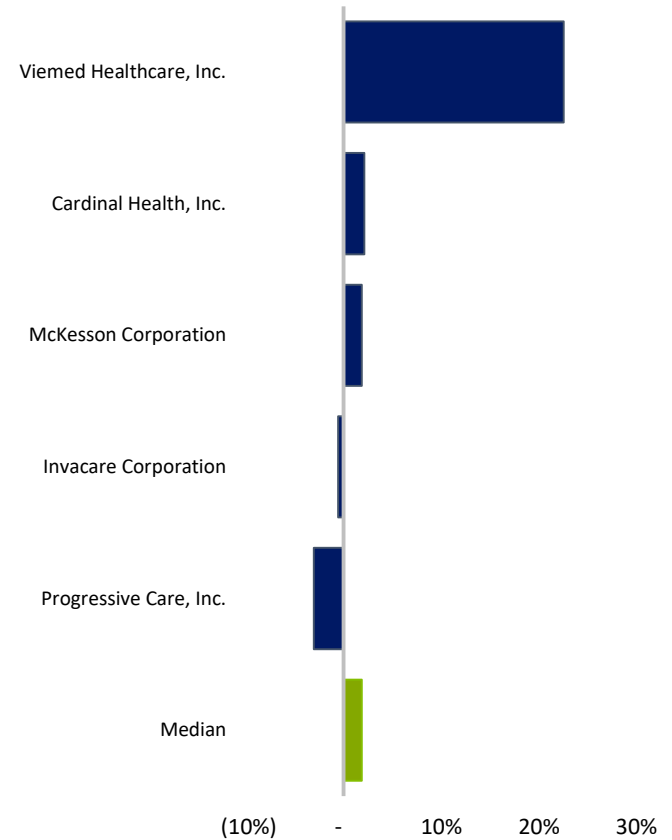
Operational Metrics



LTM Gross Profit Margin %



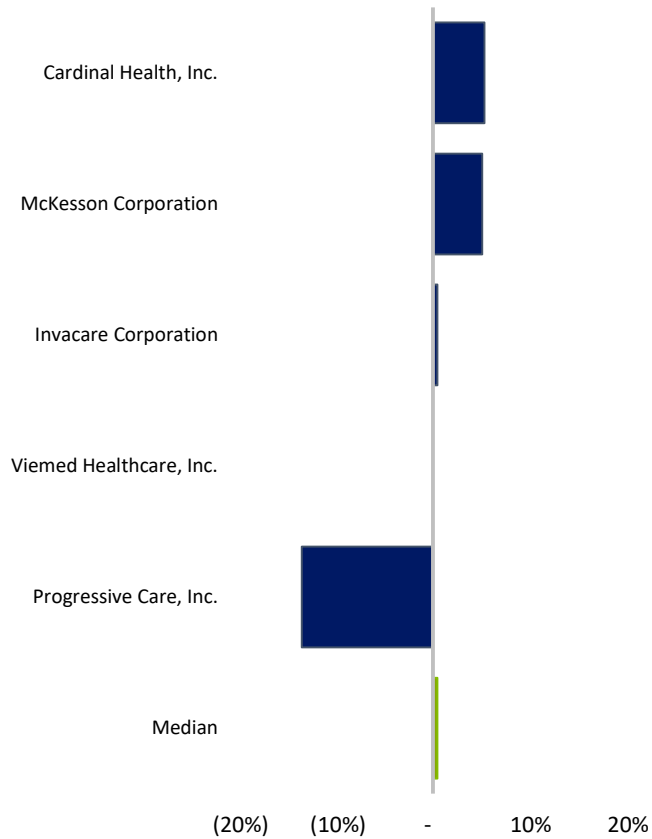
LTM EBITDA %



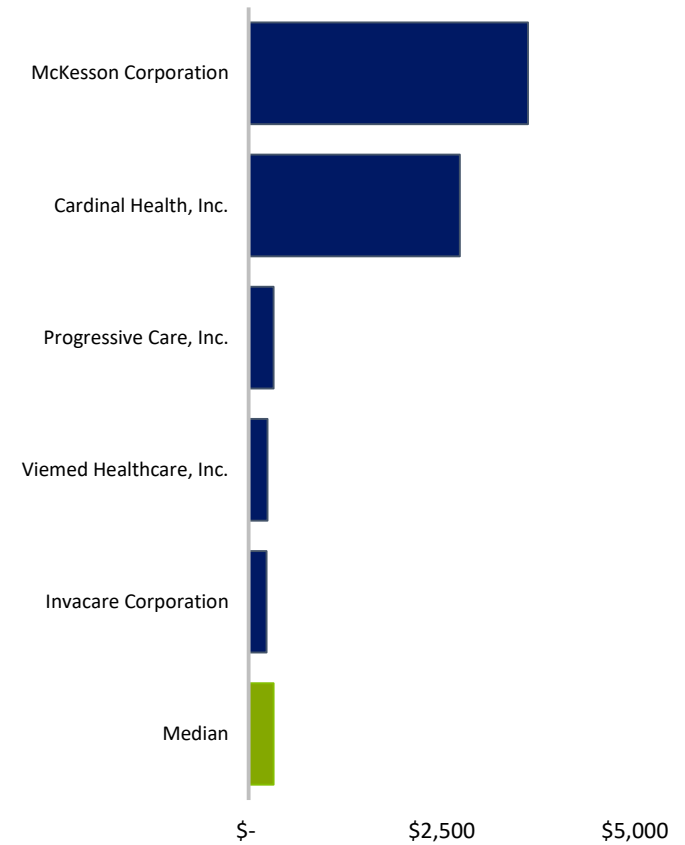
Operational Metrics



LTM Revenue Growth %



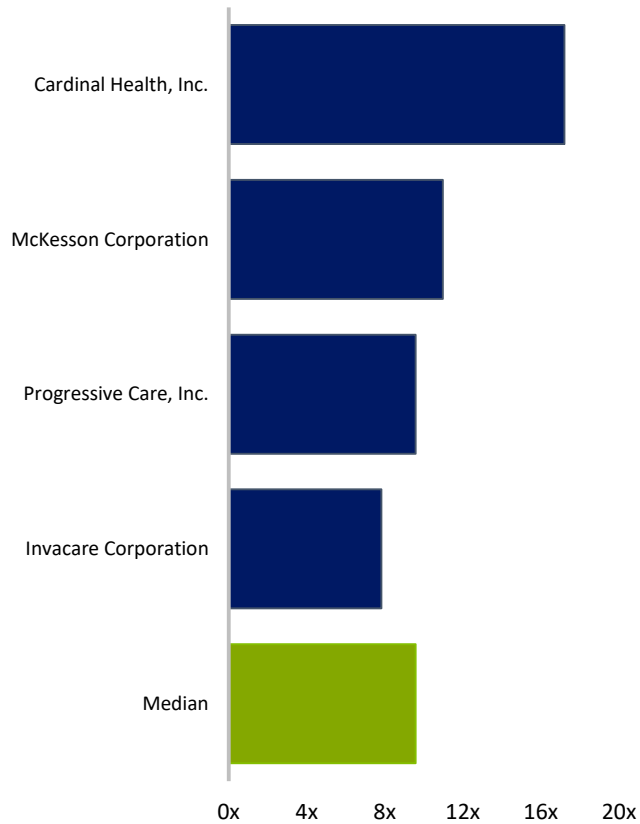
LTM Revenue per Full Time Employee x 000's



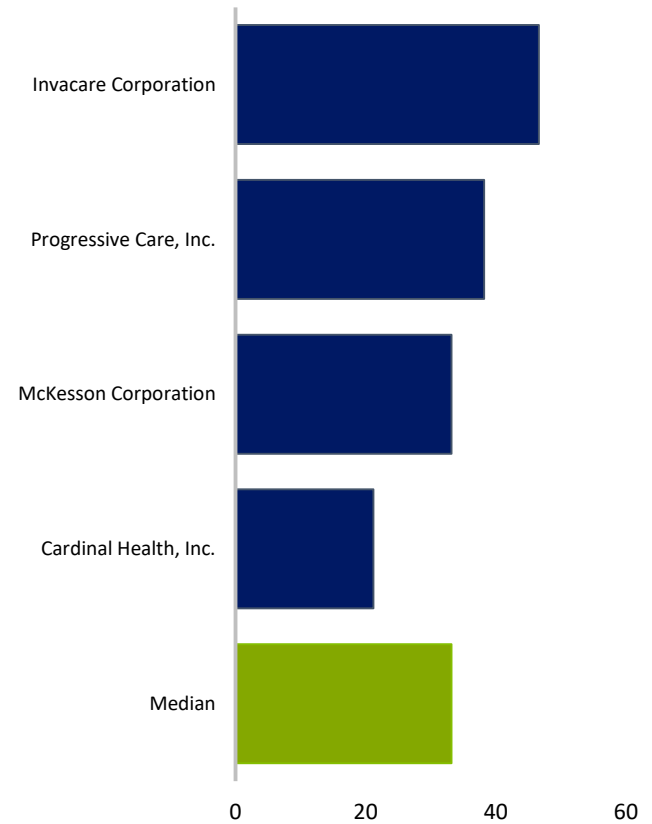
Operational Metrics



Accounts Receivable Turnover



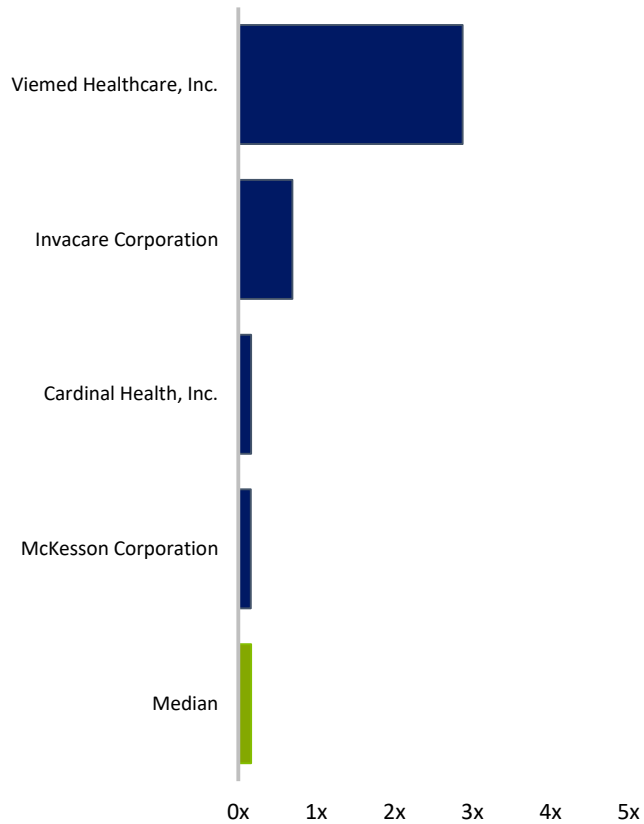
Average Days Sales Outstanding



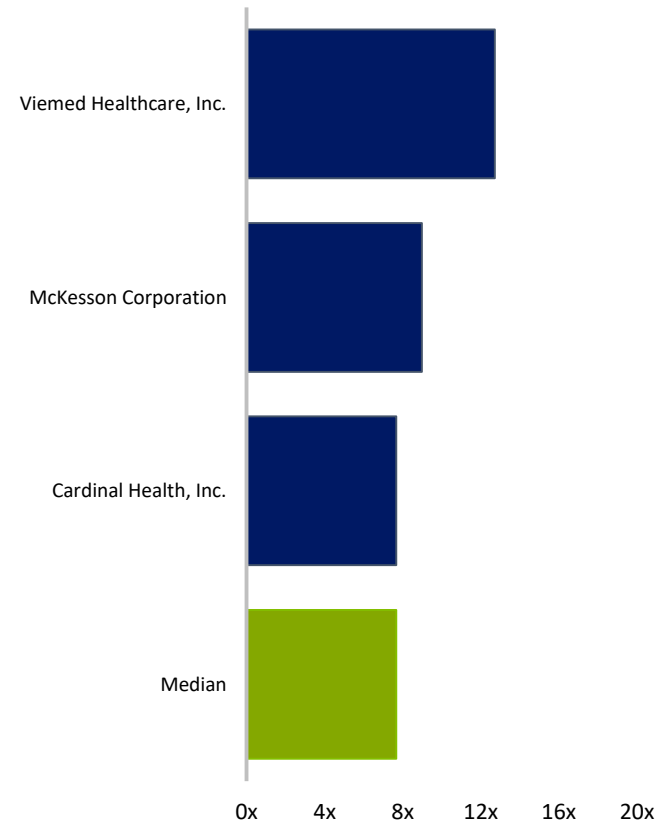
Valuation



TEV / LTM Revenue



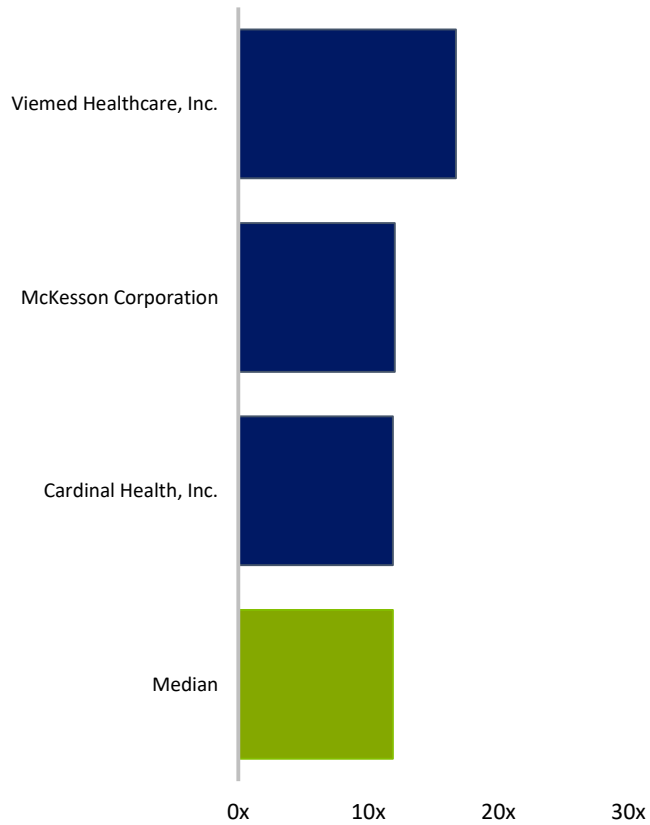
TEV / LTM EBITDA



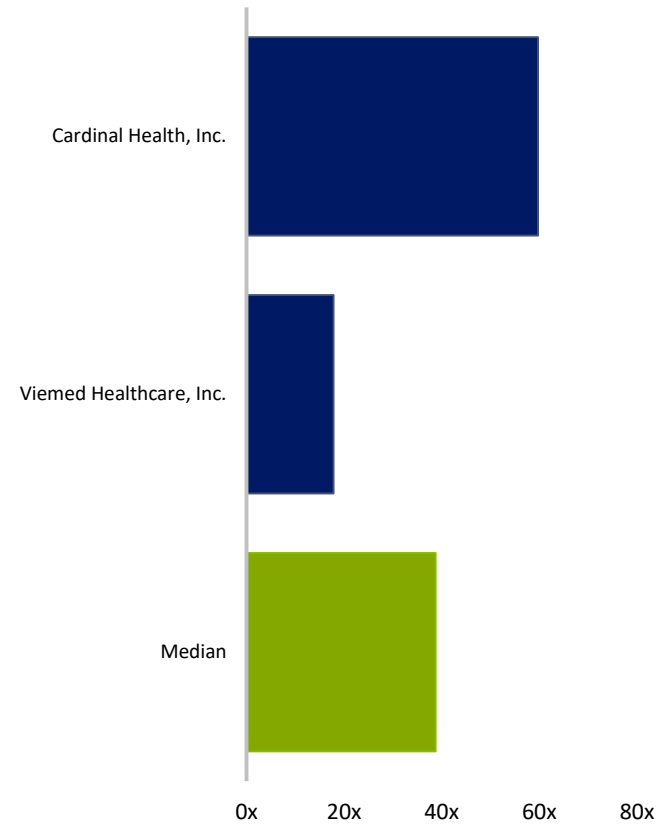
Valuation



TEV / LTM EBIT



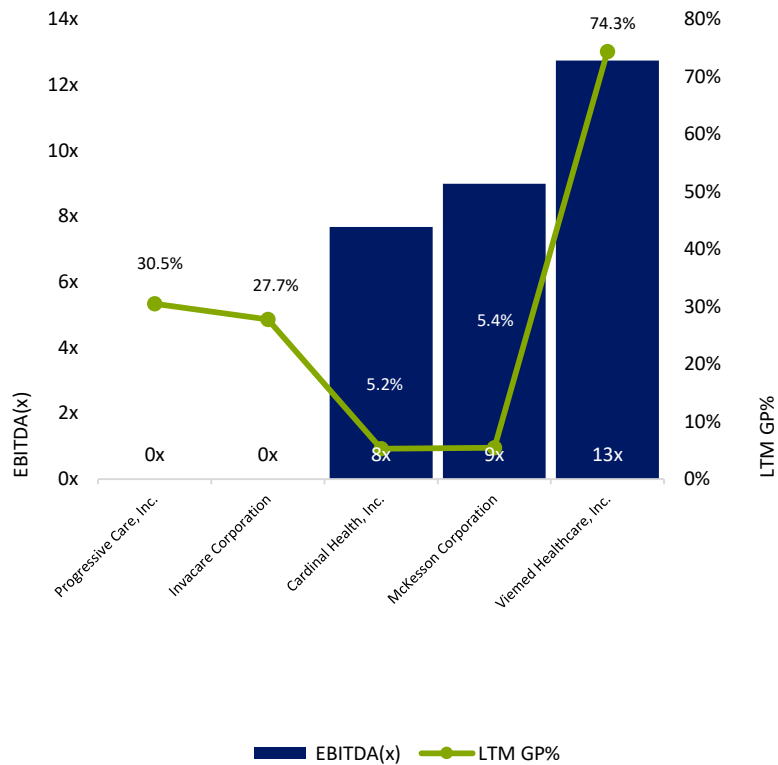
Price / LTM Earnings



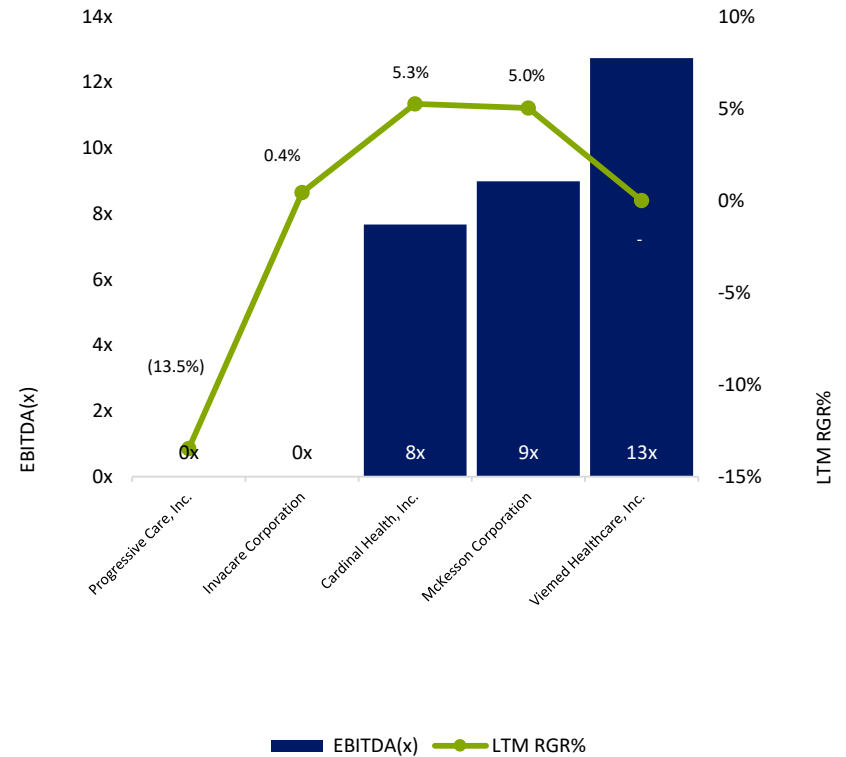
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
2Aug18	Specialized Medical Services, Inc.	Lincare Holdings Inc.	-	-	-	-
27Jun18	Family First Hospice, Inc./Family First Palliative Home Care, Inc.	Traditions Health Care Holding Company, LLC	-	-	-	-
3May18	American Technical Molding Inc./UTI Holdings LLC/Greatbatch Medical SAS	Viant	600.00	400.00	1.5x	-
25Apr18	Medical Specialties Distributors, LLC	McKesson Corporation	800.00	-	-	-
2Apr18	Paragon Medical, Inc.	Precision Engineered Products LLC	375.00	141.00	2.7x	-
26Mar18	CleanStart Surgical LLC	Skytron Corporation	-	-	-	-
8Mar18	MedCorp, LLC	Probo Medical, LLC	-	-	-	-
27Feb18	Ambercare Corporation, Inc.	Addus HealthCare Inc.	50.60	57.00	0.7x	-
10Jan18	Ergoresearch Ltd.	9332073 Canada Inc.	17.46	11.12	1.0x	32.2x
20Nov17	H. D. Smith, LLC	AmerisourceBergen Corporation	815.00	-	-	-
31Aug17	U.S. Medical Management, LLC	Centene Corporation	86.00	-	-	-

Home Medical Equipment

August 2018

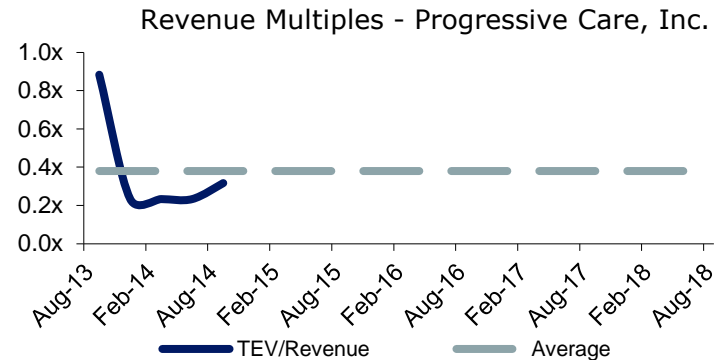
APPENDIX:
Public Basket
Constituents

Public Basket



Progressive Care, Inc.

Progressive Care, Inc., through its subsidiary, Pharmco, LLC, provides prescription pharmaceuticals to individuals and institutions in south Florida. The company operates a retail pharmacy that specializes in the sale of anti-retroviral medications and related patient care management; the sale and rental of durable medical equipment (DME), such as hospital beds, oxygen supplies, power wheelchairs, scooters, walkers, and other related equipment and accessories; and the supply of various prescription medications to long term care facilities. It also provides long term care solutions to skilled nursing facilities, assisted living facilities, retirement centers and communities, doctors' offices, and clinics. In addition, the company purchases, repackages, and dispenses prescription and non-prescription pharmaceutical products for its long term care customers. Further, it offers computerized maintenance of patient prescription histories; third party billing; and consultant pharmacist services consisting of evaluation of monthly patient drug therapy and monitoring the institution's drug distribution system, as well as home service and maintenance, defective product replacements, and free home installation and instruction services. Progressive Care, Inc. was founded in 2005 and is based in North Miami Beach, Florida.



Date	Key Development Headline
------	--------------------------

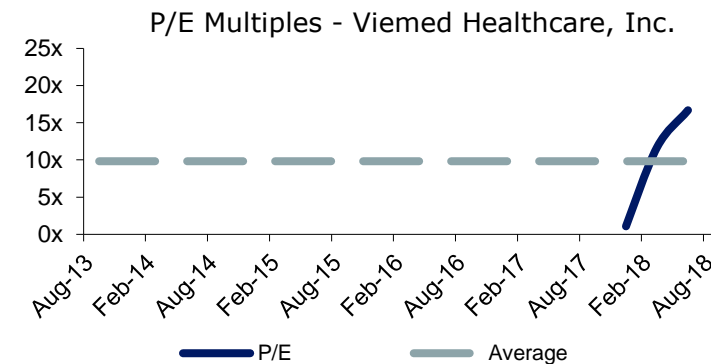
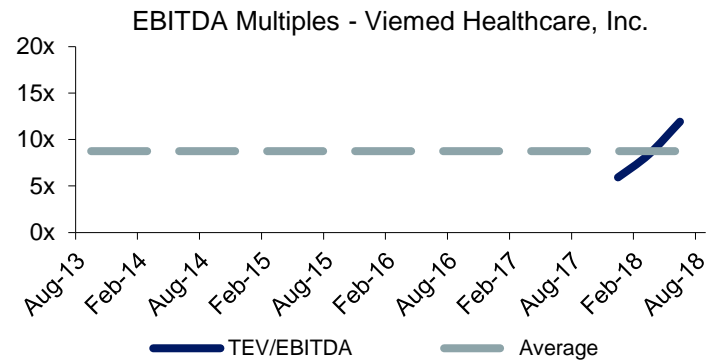
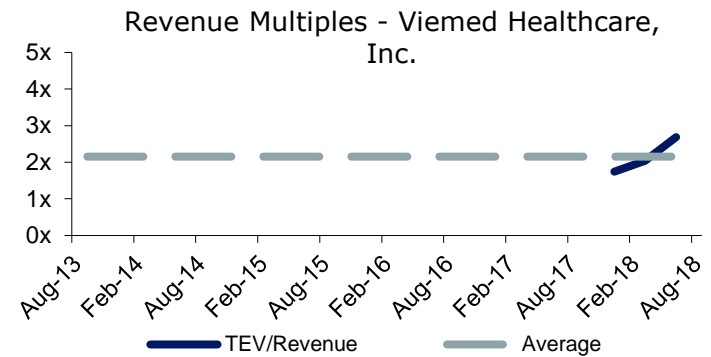
7/1/18	Progressive Care, Inc. (OTCPK:RXMD) completed the acquisition of Touchpoint Rx.
--------	---

Public Basket



Viemed Healthcare, Inc.

Viemed Healthcare, Inc., through its subsidiaries, provides in-home health care solutions in the United States. It offers respiratory services and related equipment, including non-invasive ventilators, positive airway pressure machines, and oxygen units, as well as services of respiratory therapists. The company also provides in-home sleep apnea testing to determine the existence of sleep apnea at home. In addition, it leases equipment, including non-invasive ventilators, bi-level devices and CPaP, percussion vests, and various supplies and peripheral equipment, as well as sells medical equipment and patient monitoring services. Further, the company provides therapy, education, and counseling to patients in their homes using technology. Viemed Healthcare, Inc. is headquartered in Lafayette, Louisiana.

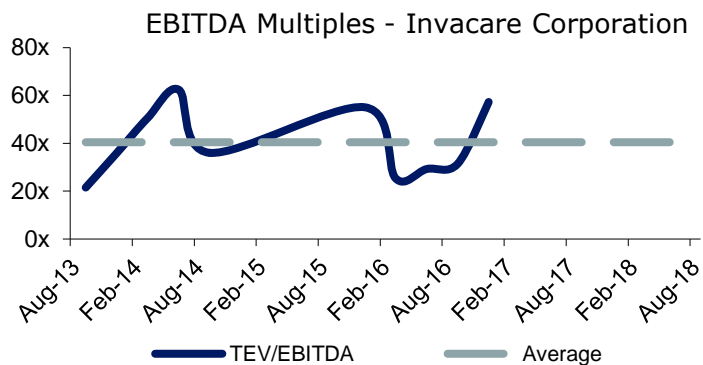
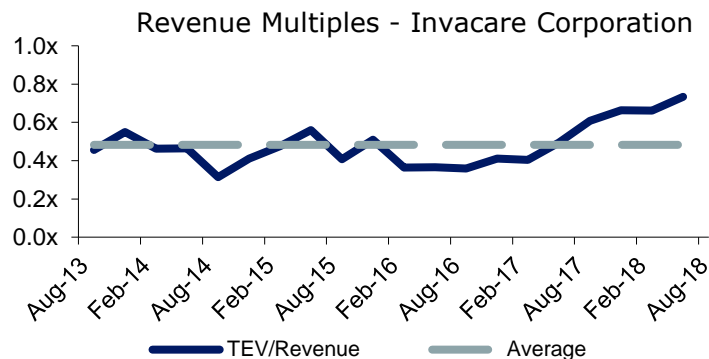


Public Basket



Invacare Corporation

Invacare Corporation, together with its subsidiaries, designs, manufactures, distributes, and exports medical equipment for use in home health care, retail, and extended care markets worldwide. The company operates through four segments: North America/Home Medical Equipment, Institutional Products Group, Europe, and the Asia/Pacific. It offers mobility and seating products, such as power wheelchairs under the Invacare TDX brand; custom manual wheelchairs under the Invacare, Invacare Top End, and Kuschall brand names; and seating and positioning products. The company also provides lifestyle products, including pressure relieving overlays and mattress replacement systems under the Invacare Softform and microAIR brands; safe resident handling products; residential care and home beds and bed accessories, and manual wheelchairs under the Invacare brand name; and personal care products. In addition, the company offers respiratory therapy products comprising stationary oxygen concentrators under the Perfecto2, Perfecto2 V, and Platinum brands; Invacare HomeFill oxygen systems; and Invacare SOLO2 and XPO2 transportable oxygen concentrators. Further, it sells and distributes healthcare furnishings consisting of long-term care beds, case goods, safe patient handling equipment, and other equipment and accessories for long-term care customers. Invacare Corporation was founded in 1885 and is headquartered in Elyria, Ohio.

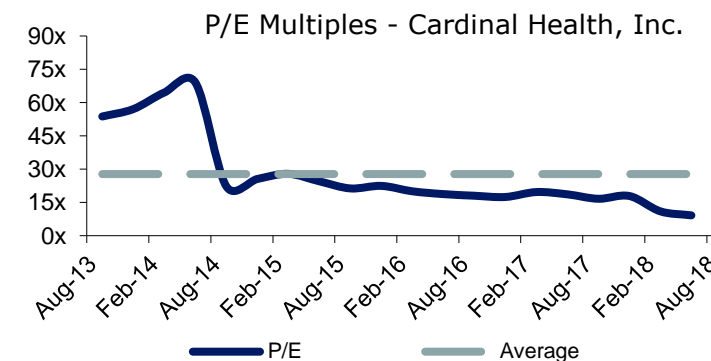
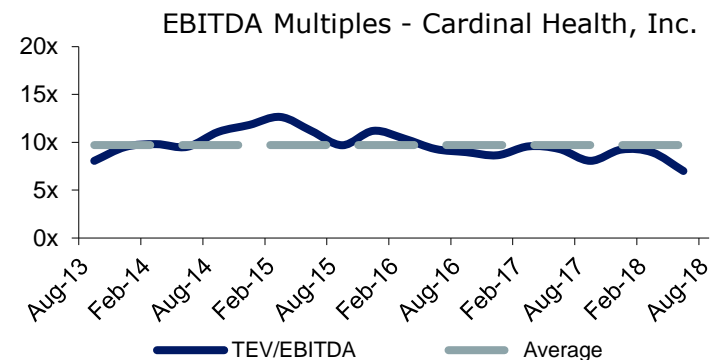
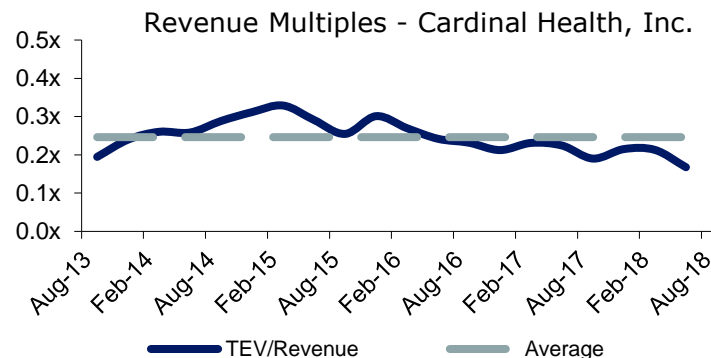


Public Basket



Cardinal Health, Inc.

Cardinal Health, Inc. operates as an integrated healthcare services and products company worldwide. The company's Pharmaceutical segment distributes branded and generic pharmaceutical, specialty pharmaceutical, over-the-counter healthcare, and consumer products to retailers, hospitals, and other healthcare providers. It offers distribution, inventory management, data reporting, new product launch support, and chargeback administration services to pharmaceutical manufacturers; pharmacy and medication therapy management, and patient outcomes services to hospitals, other healthcare providers, and payers; and consulting, patient support, and other services to pharmaceutical manufacturers and healthcare providers. Cardinal Health, Inc. was founded in 1979 and is headquartered in Dublin, Ohio.



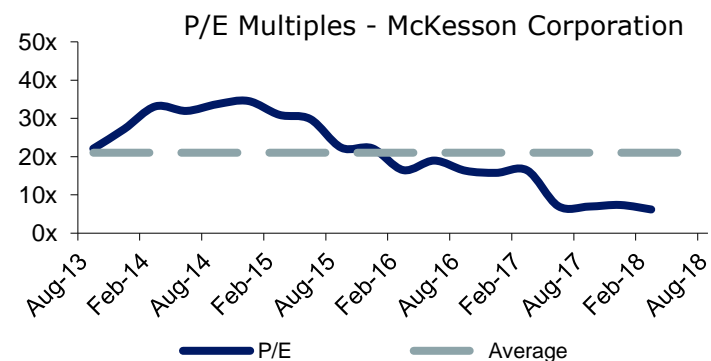
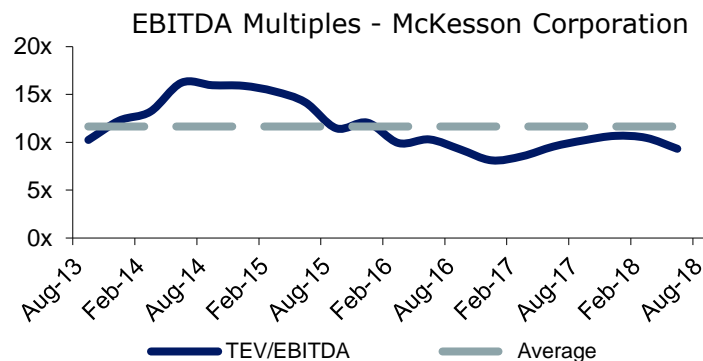
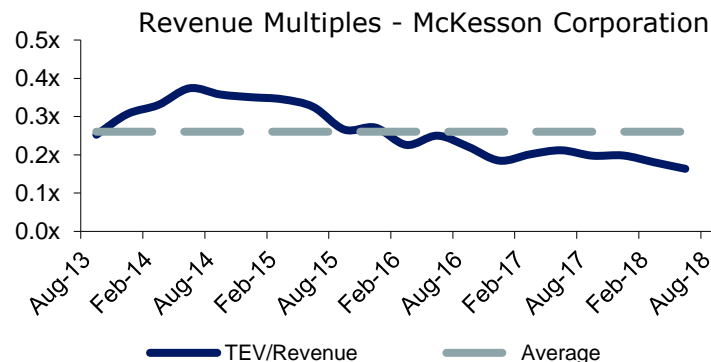
Date	Key Development Headline
6/29/18	Clayton, Dubilier & Rice, Inc. completed the acquisition of 55% stake in naviHealth, Inc. from Cardinal Health, Inc.
6/12/18	Clayton, Dubilier & Rice, Inc. agreed to acquire 55% stake in naviHealth, Inc. from Cardinal Health, Inc. (NYSE:CAH).
3/6/18	Cardinal Health Mulls Acquisitions
1/31/18	Shanghai Pharma Century Global Limited completed the acquisition of Cardinal Health (L) Co., Ltd. from Cardinal Health, Inc. (NYSE:CAH).
11/13/17	Shanghai Pharma Century Global Limited agreed to acquire Cardinal Health (L) Co., Ltd. from Cardinal Health, Inc. (NYSE:CAH) for approximately \$560 million (CNY 3.7 billion).

Public Basket



McKesson Corporation

McKesson Corporation provides pharmaceuticals and medical supplies in the United States and internationally. It operates in three segments: U.S. Pharmaceutical and Specialty Solutions, European Pharmaceutical Solutions, and Medical-Surgical Solutions. The company distributes branded, generic, specialty, biosimilar, and over-the-counter pharmaceutical drugs, as well as other healthcare-related products; and offers practice management, technology, clinical support, and business solutions to community-based oncology and other specialty practices. It also provides specialty pharmaceutical solutions for pharmaceutical manufacturers; and medical-surgical supply distribution, logistics, and other services to healthcare providers. McKesson Corporation was founded in 1833 and is headquartered in San Francisco, California.



Date	Key Development Headline
6/28/18	McKesson Seeks Acquisitions
5/31/18	McKesson Corporation (NYSE:MCK) completed the acquisition of Medical Specialties Distributors, LLC from New Mountain Capital, LLC.
4/24/18	McKesson Corporation (NYSE:MCK) entered into a definitive agreement to acquire Medical Specialties Distributors, LLC from New Mountain Capital, LLC for \$800 million.
2/1/18	McKesson Corp. Mulls Acquisitions
10/26/17	McKesson Seeks Acquisitions

Contact Information

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.

Leroy Davis, Partner	704.899.5962	leroy@7mileadvisors.com
Tripp Davis, Partner	704.899.5762	tripp@7mileadvisors.com
Andy Johnston, Partner	704.899.5961	andy@7mileadvisors.com
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
Jeff Stoecklein, Managing Director	312.373.3737	jeff@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Neil Churman, Director	704.899.5960 x 121	neil@7mileadvisors.com
John Cooper, Director	704.973.3996	john@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Casey Augustine, Business Development - Manager	704.973.3999	casey@7mileadvisors.com
Nicholas Prendergast, Financial Analyst	704.899.5960	nicholas@7mileadvisors.com
Ariail Siggins, Marketing Director	704.899.5960 x 123	ariail@7mileadvisors.com
Sydney Larese, Associate	704.899.5960	sydney@7mileadvisors.com
Marty Johnson, Associate	704.899.5960	marty@7mileadvisors.com
Rory Julyan, Associate	704.899.5960	rory@7mileadvisors.com
Garth Martin, Associate	704.899.5960 x 109	garth.martin@7mileadvisors.com
Chevonese Dacres, Analyst	360.499.1502	chevonese@7mileadvisors.com