



Sectorwatch: Healthcare - Primary Care

June 2019

Healthcare - Primary Care

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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.



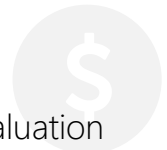
Public Basket Performance

- 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

↓ -1.1%

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

↑ 0.9%

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

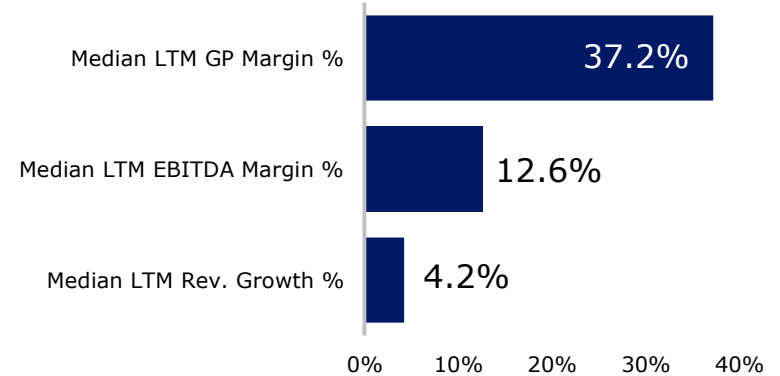
Profitability Momentum

↑ 1.2%

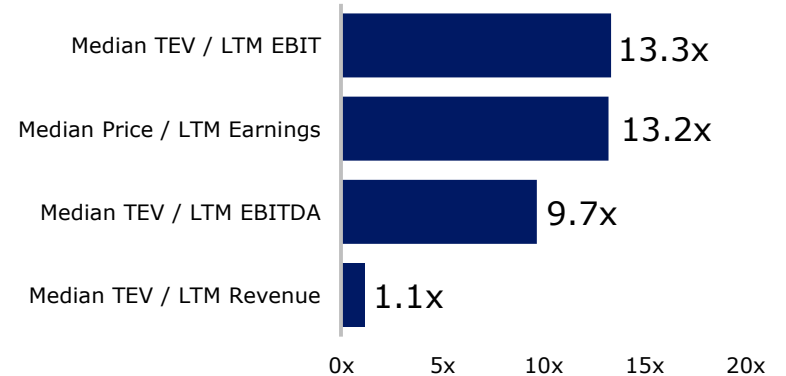
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin exceeds the average of the last 3 years EBITDA margin by this amount, a condition that may attract new entrants

Operating Metrics



Valuation



Public Basket

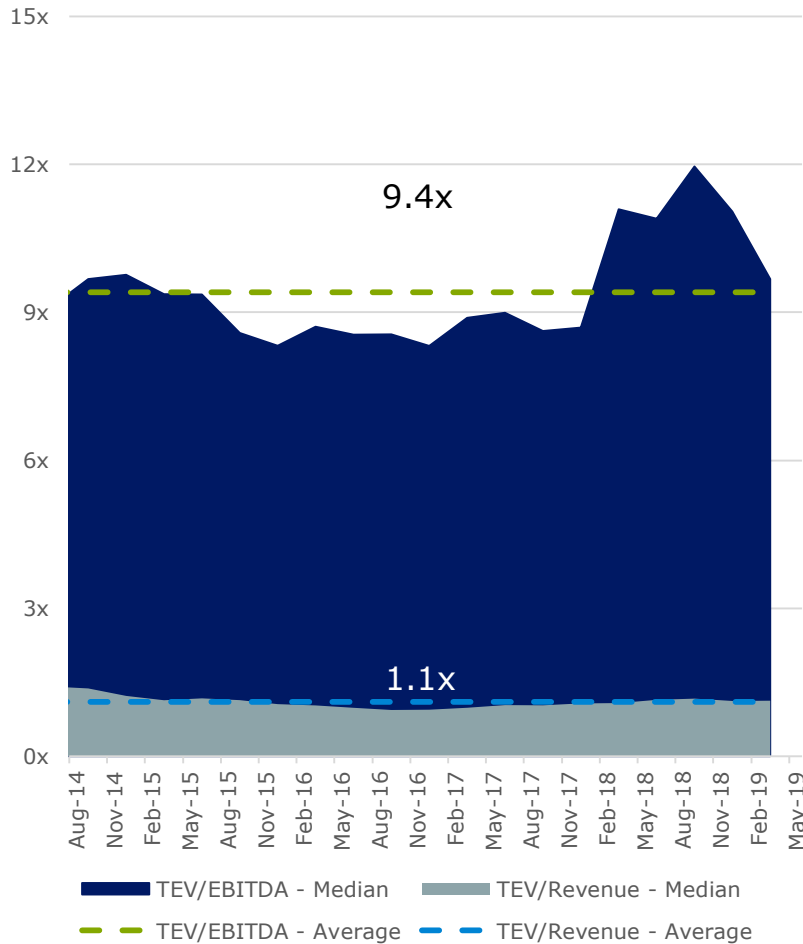


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Community Health Systems, Inc.	14,866	13,842	-5%	38%	10%	1.1	10.3	70,000	198
Universal Health Services, Inc.	15,280	10,889	4%	40%	16%	1.4	9.0	64,200	170
Tenet Healthcare Corporation	20,000	18,159	-5%	36%	15%	1.1	6.9	90,090	202
HCA Healthcare, Inc.	81,067	47,771	8%	38%	20%	1.7	8.6	196,000	244
Anthem, Inc.	88,110	94,220	5%	21%	7%	0.9	13.5	63,900	1,474
UnitedHealth Group Incorporated	259,517	231,367	11%	24%	9%	1.1	13.0	300,000	771

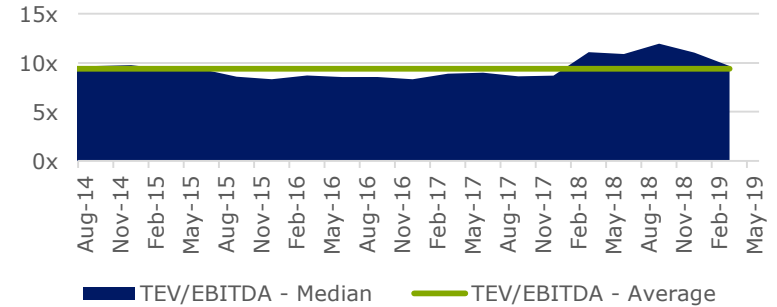
Average	79,807	69,375	3%	33%	13%	1.2	10.2	130,698	510
Median	50,533	32,965	4%	37%	13%	1.1	9.7	80,045	223

share price as of 05Jun19

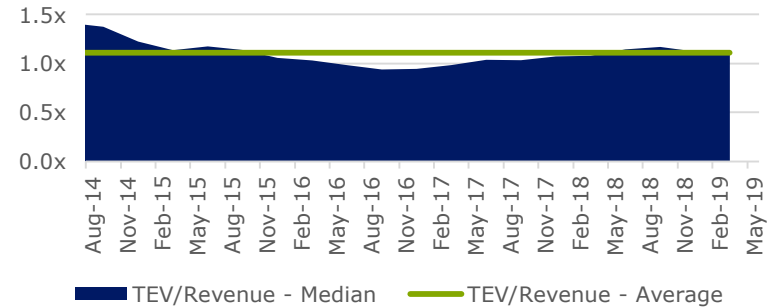
Public Basket Valuation Trends



Public EBITDA Multiples over Time



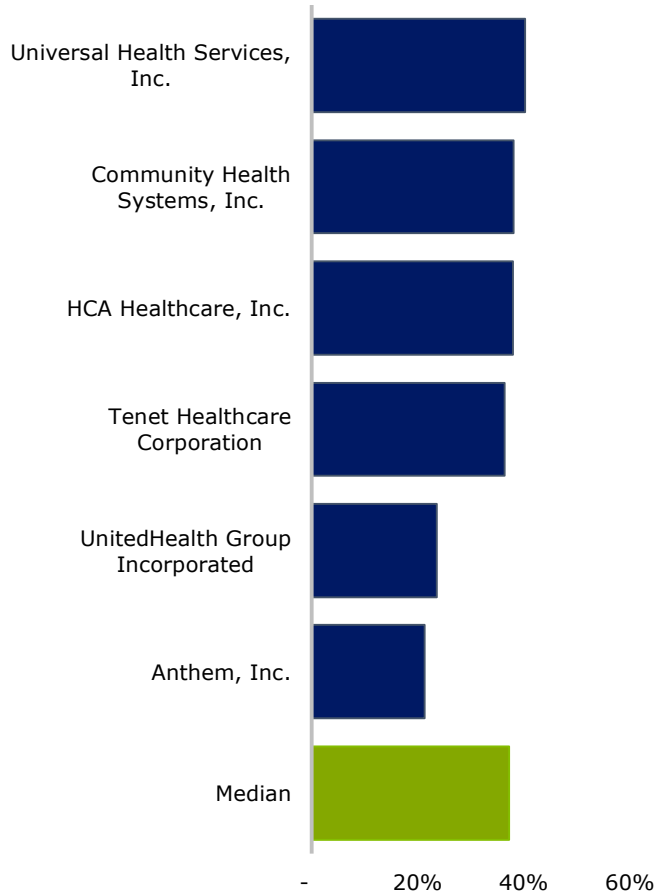
Public Revenue Multiples over Time



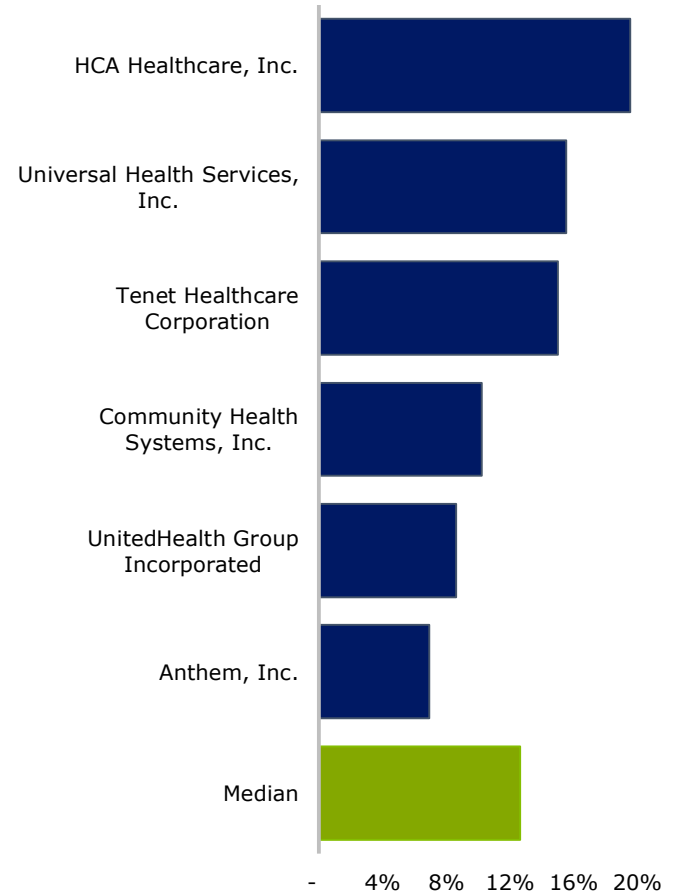
Operational Metrics



LTM Gross Profit Margin %



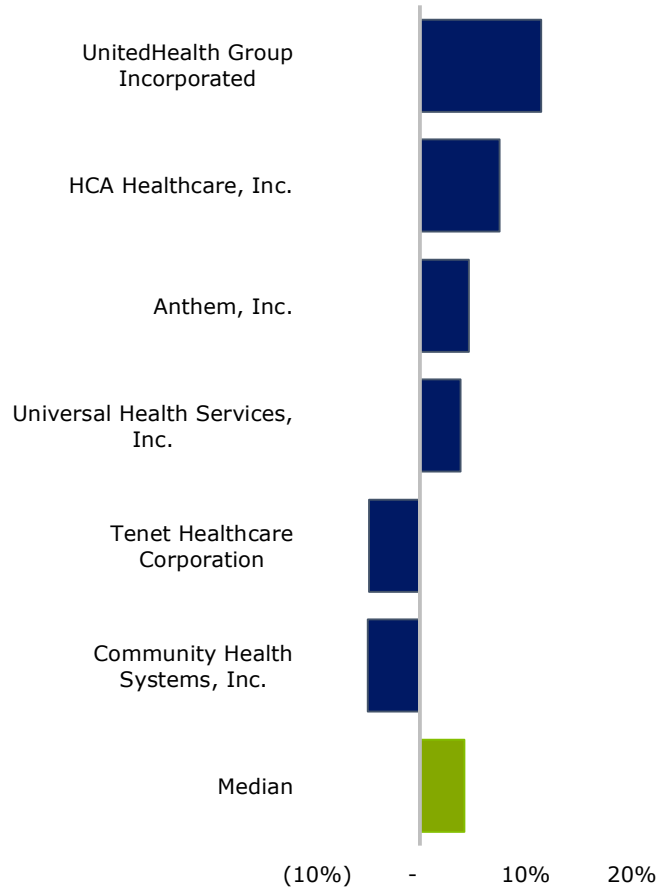
LTM EBITDA %



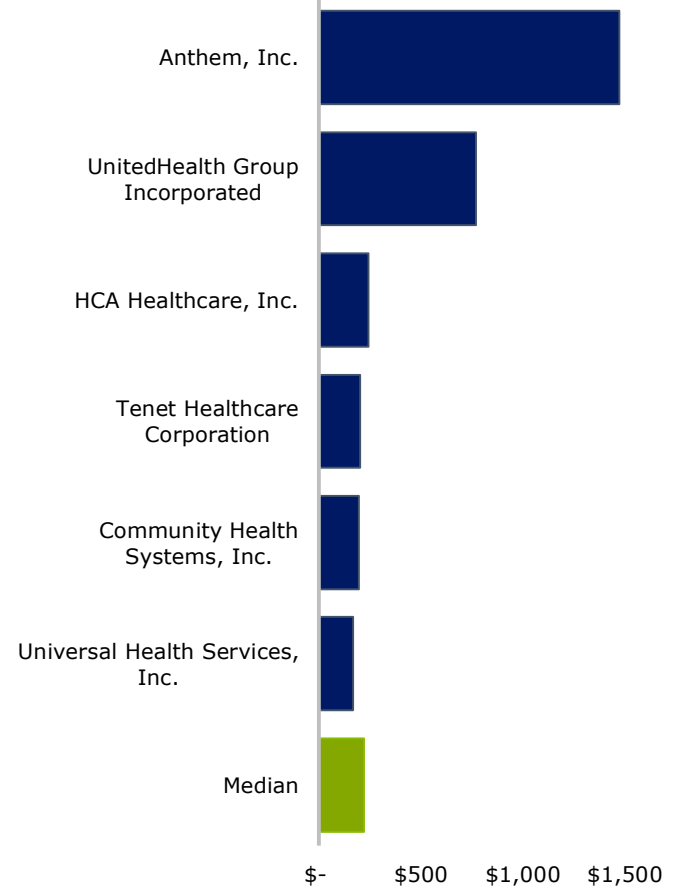
Operational Metrics



LTM Revenue Growth %



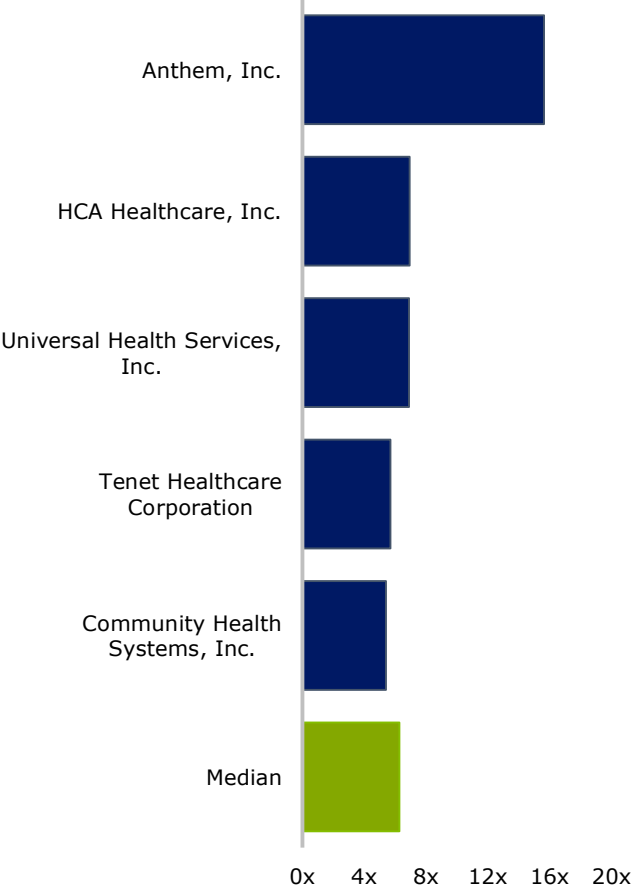
LTM Revenue per Full Time Employee x 000's



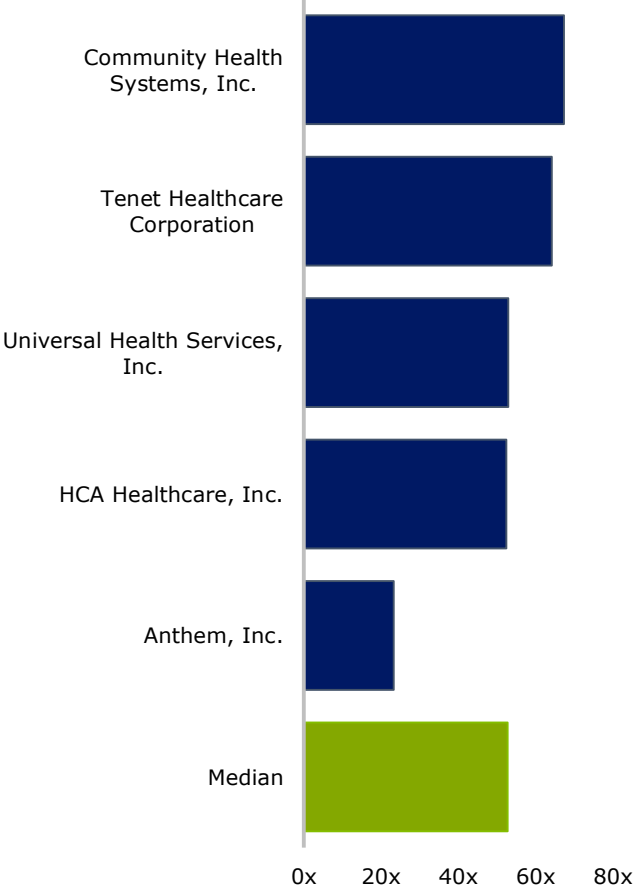
Operational Metrics



Accounts Receivable Turnover



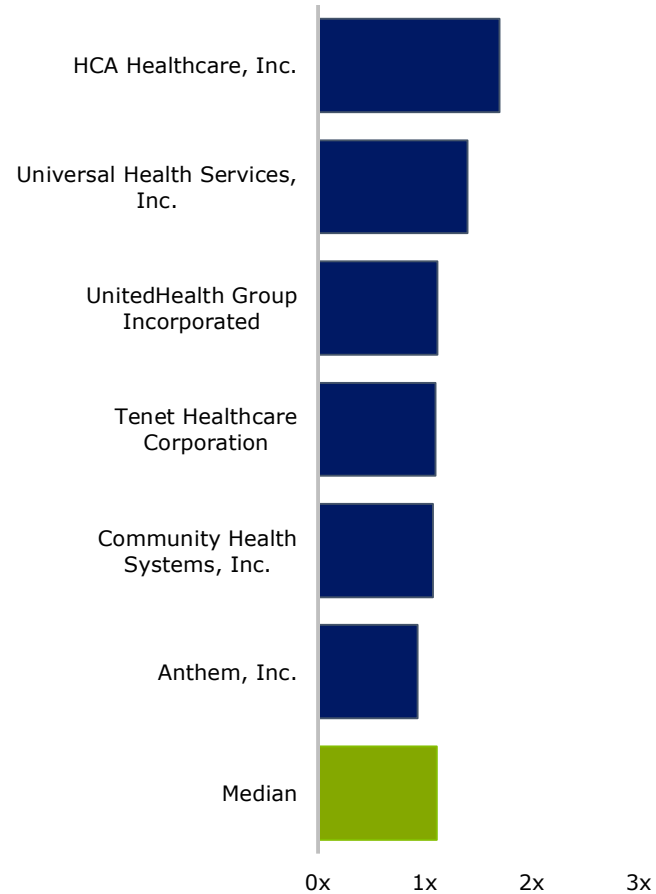
Average Days Sales Outstanding



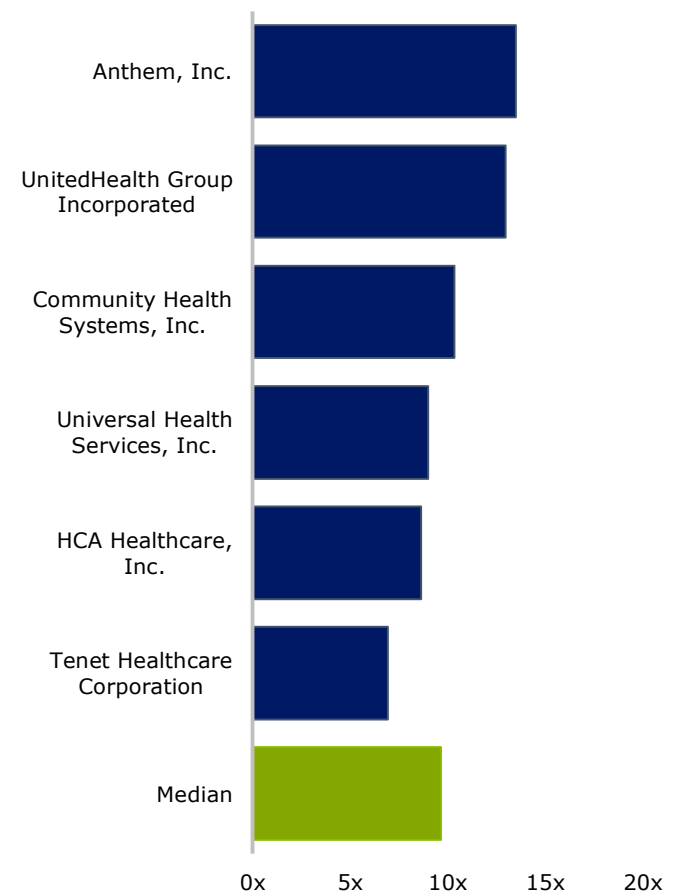
Valuation



TEV / LTM Revenue



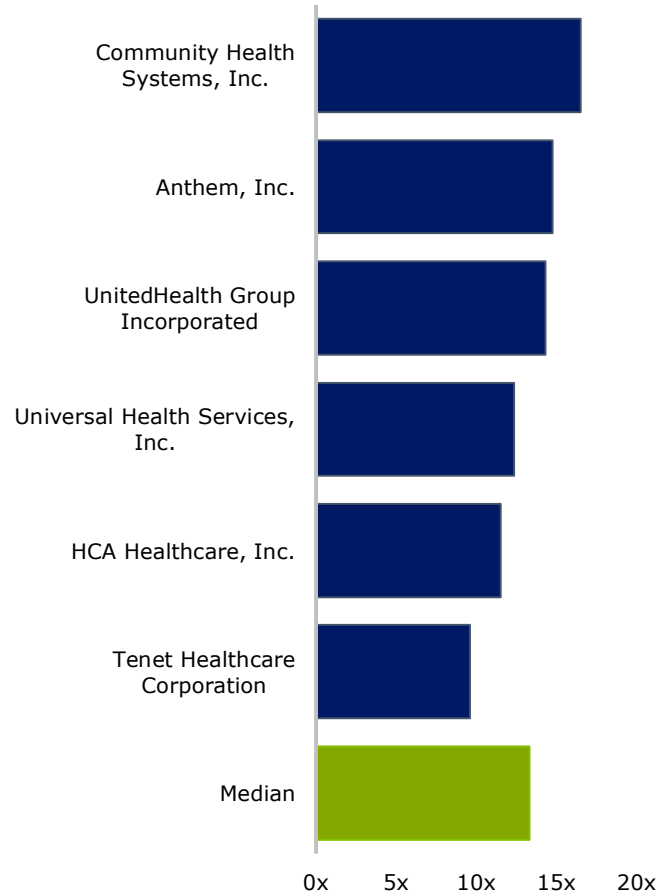
TEV / LTM EBITDA



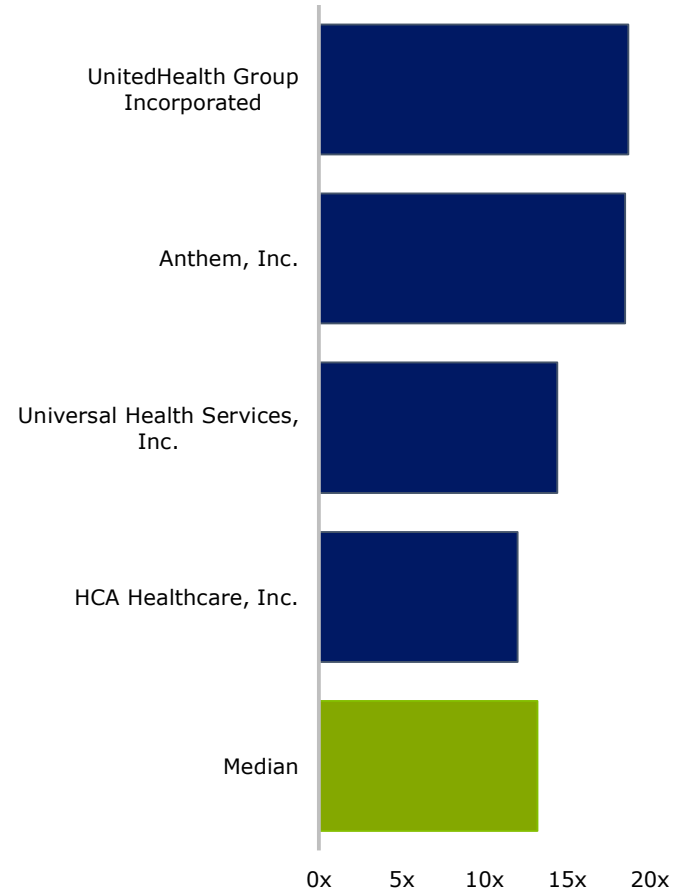
Valuation



TEV / LTM EBIT



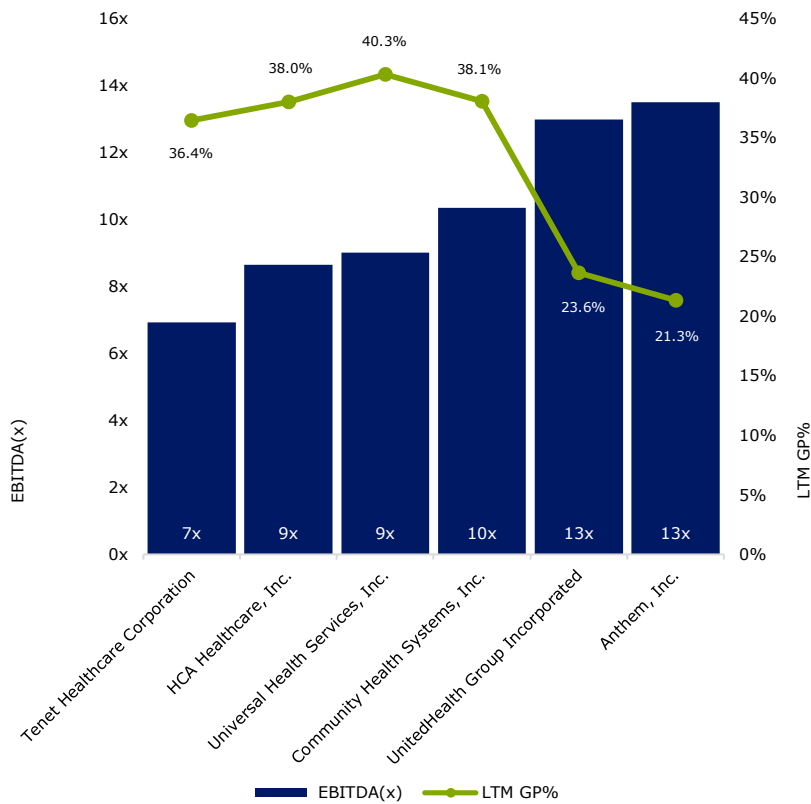
Price / LTM Earnings



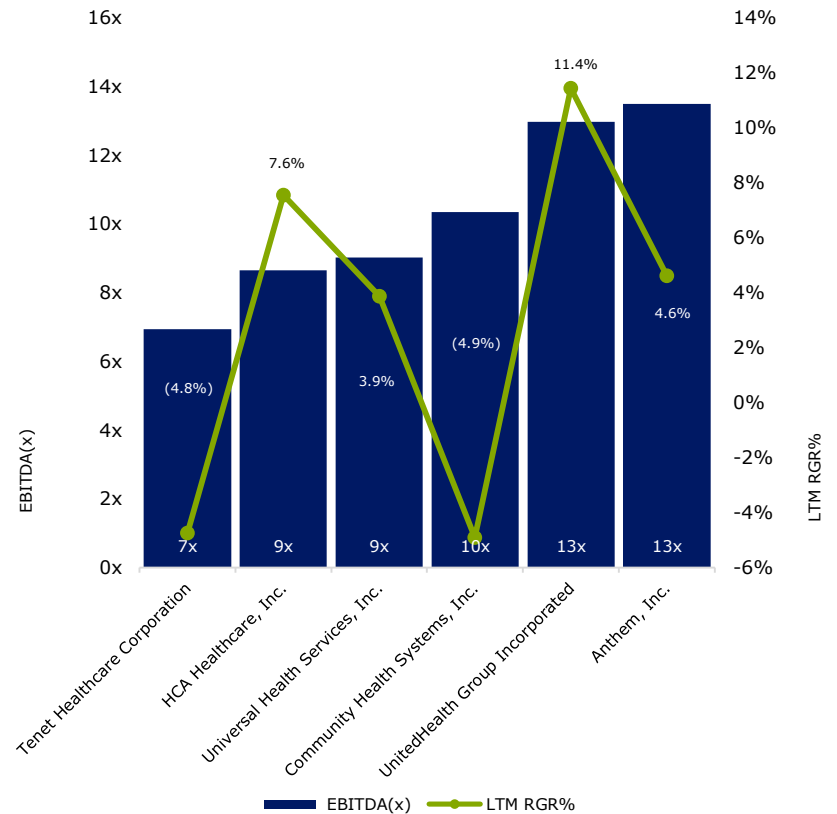
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



<u>Date</u>	<u>Target</u>	<u>Buyer / Investor</u>	<u>Total Transaction Value</u>	<u>Target Revenue</u>	<u>TEV / Revenue</u>	<u>TEV / EBITDA</u>
26Mar19	WellCare Health Plans, Inc.	Centene Corporation	15,620.27	20,414.10	-	-
16Jan19	Activate Healthcare, LLC	Paladina Health, LLC	-	-	-	-
18Dec18	Saltzer Medical Group, P.A.	Ball Ventures Ahlquist	-	-	-	-
18Sep18	Devon Health Services, Inc.	TRPN Direct Pay, Inc.	-	-	-	-
22Aug18	1Life Healthcare, Inc.	The Carlyle Group L.P.; Carlyle Partners VII, L.P.	130.00	-	-	-
17Aug18	Healthcare Partners Investments, LLC	United Surgical Partners International Inc.; INTEGRIS Health Inc.	-	-	-	-
22Jul18	LifePoint Health, Inc.	RCCH HealthCare Partners	5,741.91	6,239.00	0.9x	8.6x
6Jun18	Paladina Health, LLC	New Enterprise Associates	100.00	-	-	-
20Apr18	Sound Inpatient Physicians, Inc.	Summit Partners LLP; OptumHealth, Inc.	2,150.00	1,534.31	-	-
10Apr18	Family Physicians Group, Inc.	Humana Inc.	185.00	-	-	-
3Apr18	Summit Health, Inc.	Wellspring Health	-	-	-	-
16Aug17	DuPage Medical Group, Ltd.	Ares Private Equity Group	-	-	-	-
9Aug17	Women's Health USA, Inc.	Sverica Capital Management LP; Sverica Capital Partners IV LP	-	-	-	-
13Jul17	Senior Whole Health, LLC	Magellan Healthcare, Inc.	400.00	-	-	-
24May17	Affiliated Community Medical Centers, P.A.	Carris Health, LLC	-	-	-	-
8May17	Columbus Regional Healthcare System (nka:Piedmont Columbus Regional)	Piedmont Healthcare, Inc.	280.00	-	-	-
25Apr17	Complete Family Medicine, LLC	Hannibal Regional Healthcare System, Inc.	-	-	-	-
23Apr17	Reliant Medical Group, Inc.	OptumHealth, Inc.	28.35	-	-	-
8Apr17	American Health Network, Inc.	Collaborative Care Services, Inc.	184.00	-	-	-
29Aug16	USMD Holdings, Inc.	WellMed Medical Management Inc.	302.69	329.39	0.9x	NM

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APPENDIX:
Public Basket
Constituents

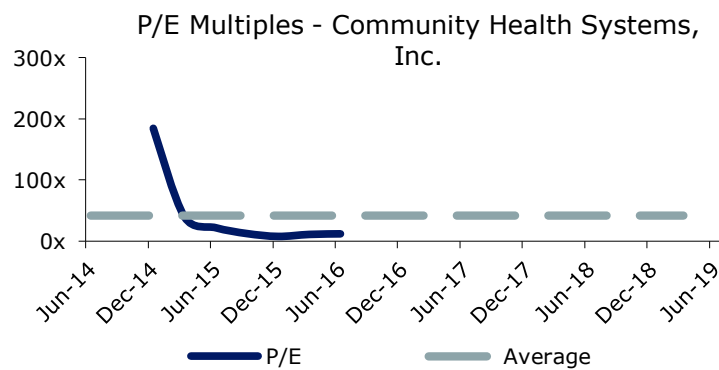
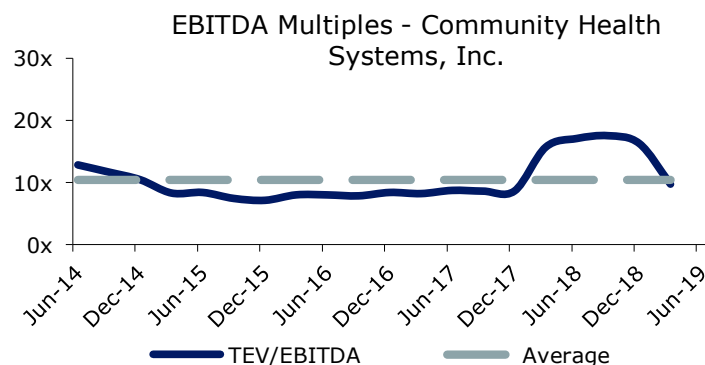
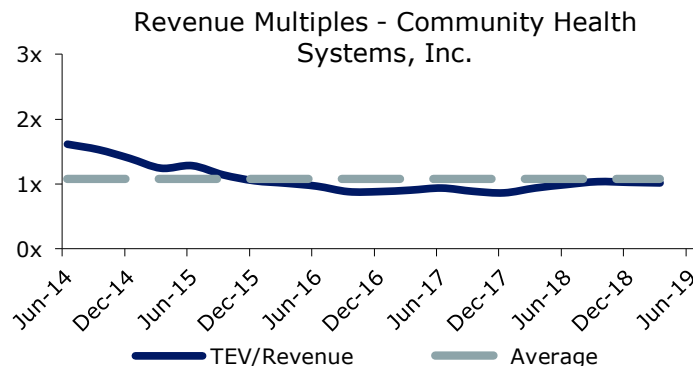
Public Basket



Community Health Systems, Inc.

Community Health Systems, Inc., together with its subsidiaries, owns, leases, and operates general acute care hospitals in the United States. The company offers general acute care, emergency room, general and specialty surgery, critical care, internal medicine, obstetrics, diagnostic, psychiatric, and rehabilitation services, as well as skilled nursing and home care services. It also provides outpatient services at urgent care centers, occupational medicine clinics, imaging centers, cancer centers, and ambulatory surgery centers. Community Health Systems, Inc. was founded in 1985 and is headquartered in Franklin, Tennessee.

Date	Key Development Headline
5/21/19	Adventist Health System Sunbelt Healthcare Corporation entered into a definitive agreement to acquire Heart of Florida Regional Medical Center from Community Health Systems, Inc. (NYSE:CYH).
5/21/19	Adventist Health System Sunbelt Healthcare Corporation entered into a definitive agreement to acquire Lake Wales Medical Center from Community Health Systems, Inc. (NYSE:CYH).
3/28/19	Vanderbilt University Medical Center agreed to acquire Tennova Healthcare - Lebanon from Community Health Systems, Inc. (NYSE:CYH).
2/28/19	Medical University Hospital Authority completed the acquisition of Four Hospitals at Chester, Lancaster, Florence and Mullins in South Carolina from Community Health Systems, Inc. (NYSE:CYH).

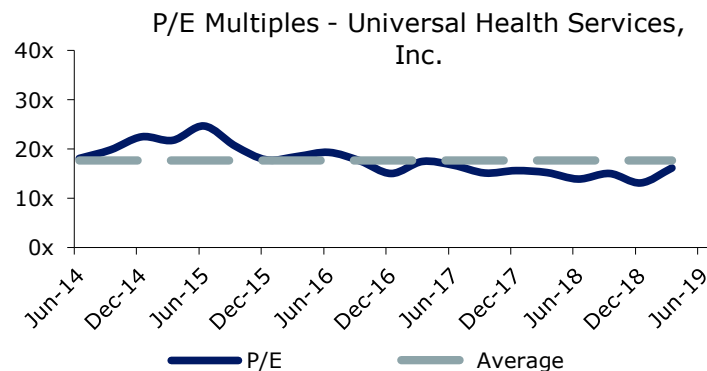
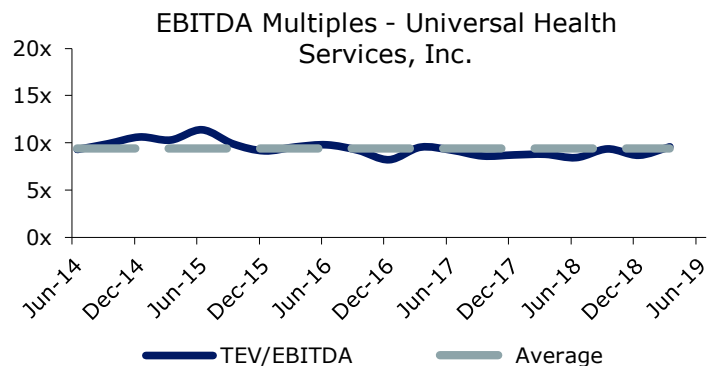
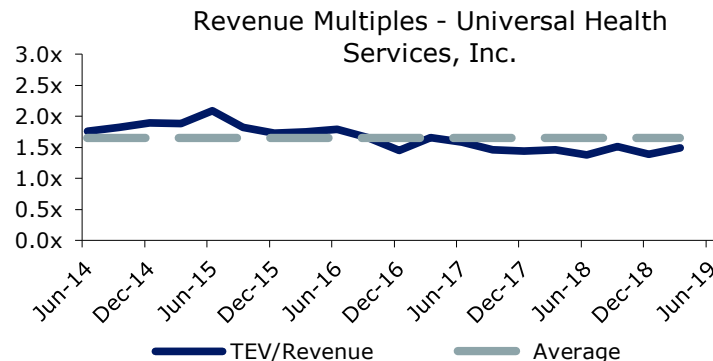


Public Basket



Universal Health Services, Inc.

Universal Health Services, Inc., through its subsidiaries, owns and operates acute care hospitals, outpatient facilities, and behavioral health care facilities. The company operates through Acute Care Hospital Services, Behavioral Health Care Services, and Other segments. Its hospital offer general and specialty surgery, internal medicine, obstetrics, emergency room care, radiology, oncology, diagnostic care, coronary care, pediatric services, pharmacy services, and/or behavioral health services. As of February 27, 2019, it owned and/or operated 350 inpatient facilities, and 37 outpatient and other facilities located in 37 states, Washington, D.C., the United Kingdom, and Puerto Rico. Universal Health Services, Inc. founded in 1978 and is headquartered in King Of Prussia, Pennsylvania.



Date	Key Development Headline
12/18/18	Universal Health Services Inc. (NYSE:UHS) cancelled the acquisition of Memorial Behavioral Health from Gulfport Memorial Hospital.
11/5/18	Beaumont Health and Universal Health Services Form A Joint Venture

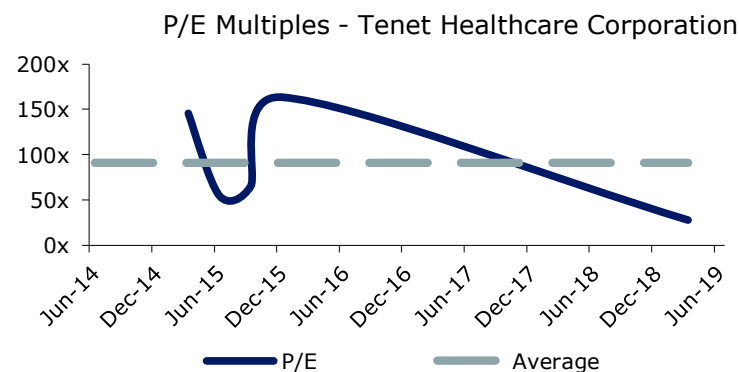
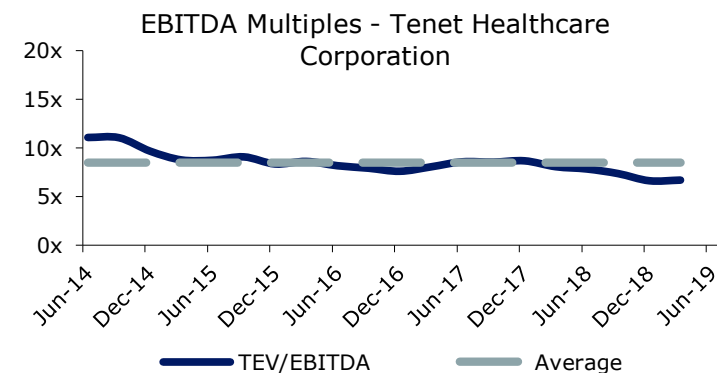
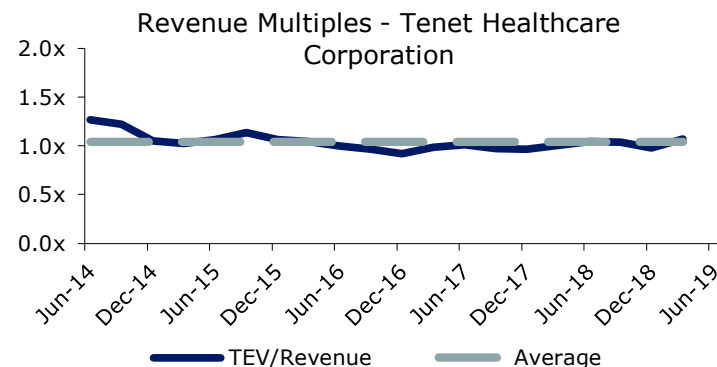
Public Basket



Tenet Healthcare Corporation

Tenet Healthcare Corporation operates as a diversified healthcare services company. The company operates in three segments: Hospital Operations and Other, Ambulatory Care, and Conifer. Its general hospitals offer acute care services, operating and recovery rooms, radiology and respiratory therapy services, clinical laboratories, and pharmacies. Tenet Healthcare Corporation was founded in 1967 and is headquartered in Dallas, Texas.

Date	Key Development Headline
1/27/19	TWG Partners, LLC and Pipeline Health, LLC completed the acquisition of Louis A. Weiss Memorial Hospital, Westlake Hospital and West Suburban Medical Center from Tenet Healthcare Corporation (NYSE:THC) for \$70 million.
12/3/18	Hakim Health Technology, Hakim International Development Co., Limited, Connected Care Health Services, Inc. and others completed the acquisition of Golden State Medicare Health Plan from Tenet Healthcare Corporation (NYSE:THC).
8/19/18	NMC Health Plc (LSE:NMC) acquired Aspen Healthcare Limited from Tenet Healthcare Corporation (NYSE:THC) for an enterprise value of £10 million.



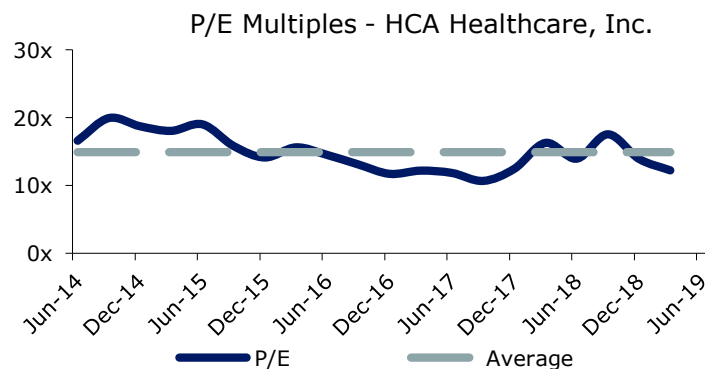
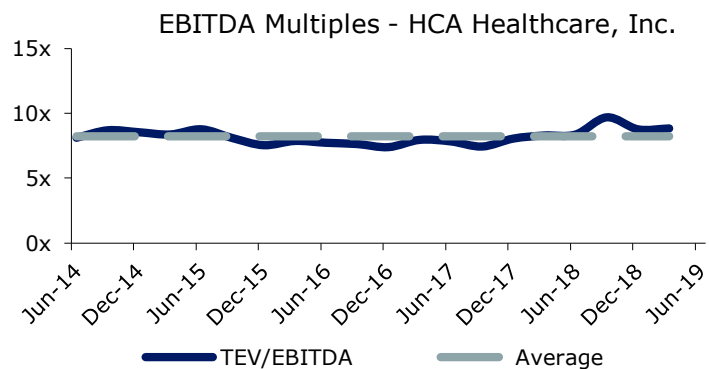
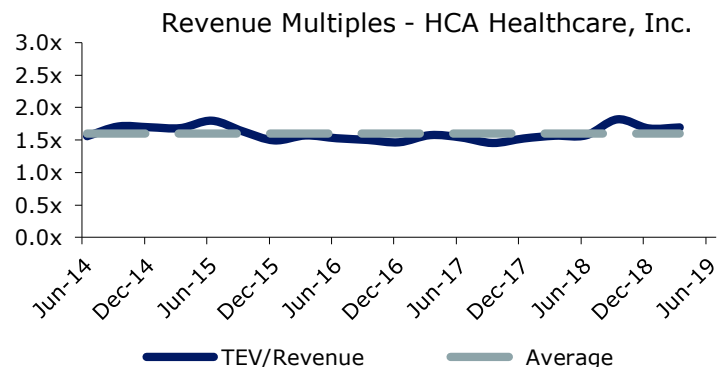
Public Basket



HCA Healthcare, Inc.

HCA Healthcare, Inc., through its subsidiaries, provides health care services. The company operates general, acute care hospitals that offer medical and surgical services, including inpatient care, intensive care, cardiac care, diagnostic, and emergency services; and outpatient services, such as outpatient surgery, laboratory, radiology, respiratory therapy, cardiology, and physical therapy services. It also operates psychiatric hospitals, which provide therapeutic programs comprising child, adolescent and adult psychiatric care, and adolescent and adult alcohol and drug abuse treatment and counseling. HCA Healthcare, Inc. was founded in 1968 and is headquartered in Nashville, Tennessee.

Date	Key Development Headline
3/20/19	HCA Healthcare To Seek Acquisitions
3/13/19	HCA Healthcare, Inc. (NYSE:HCA) agreed to acquire a majority stake in Galen College of Nursing.
2/28/19	Our Lady of Lourdes Regional Medical Center, Inc. completed the acquisition of Women's and Children's Hospital, Inc. from HCA Healthcare, Inc. (NYSE:HCA).
1/31/19	HCA Healthcare, Inc. (NYSE:HCA) completed the acquisition of substantially all assets of Mission Health System, Inc.
1/22/19	HCA Healthcare, Inc. (NYSE:HCA) signed a letter of intent to acquire Frisbie Memorial Hospital.



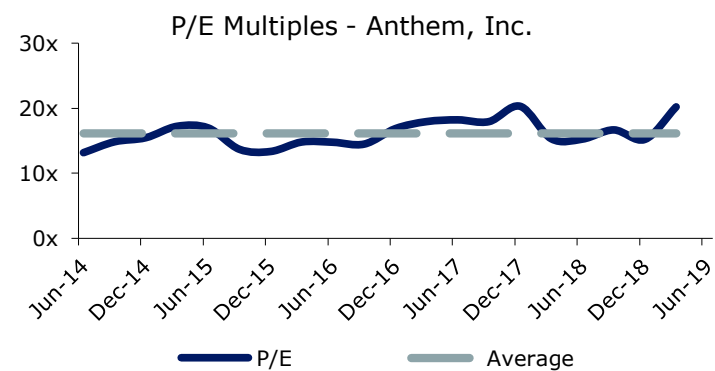
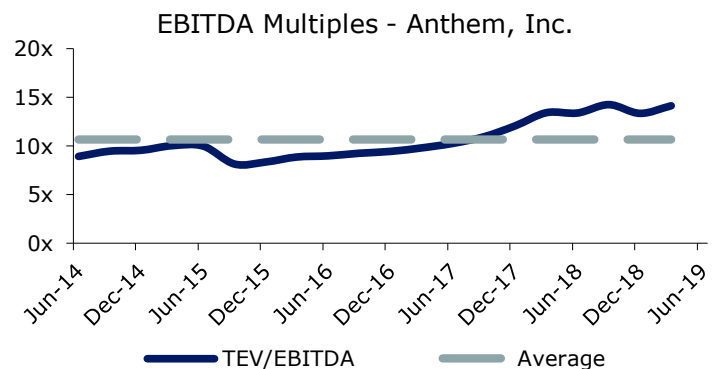
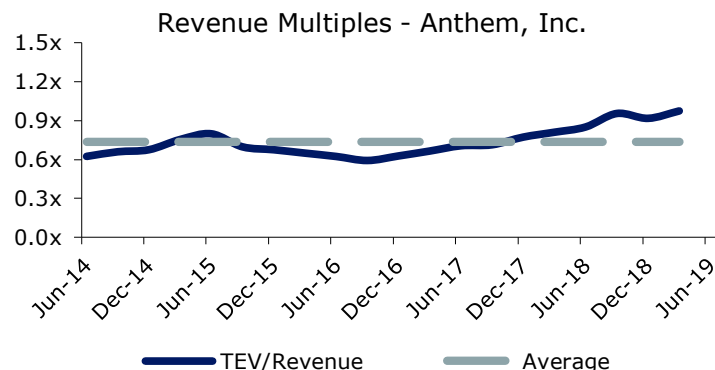
Public Basket



Anthem, Inc.

Anthem, Inc., through its subsidiaries, operates as a health benefits company in the United States. It operates through three segments: Commercial & Specialty Business, Government Business, and Other. The company offers a spectrum of network-based managed care health benefit plans to large and small group, individual, Medicaid, and Medicare markets. Its managed care plans include preferred provider organizations; health maintenance organizations; point-of-service plans; traditional indemnity plans and other hybrid plans, such as consumer-driven health plans; and hospital only and limited benefit products. The company also provides a range of managed care services to self-funded customers, including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs, and other administrative services. Anthem, Inc. was founded in 1944 and is headquartered in Indianapolis, Indiana.

Date	Key Development Headline
3/13/19	Anthem Intends To Seek Acquisitions
1/24/19	Aetna, Anthem, Health Care Service Corporation, PNC Bank and IBM Announce Collaboration to Establish Blockchain-Based Ecosystem for the Healthcare Industry
9/12/18	Anthem Seeks Acquisition
6/17/18	Anthem, Inc. (NYSE:ANTM) completed the acquisition of Aspire Health, Inc.
6/13/18	Anthem Seeks Acquisitions



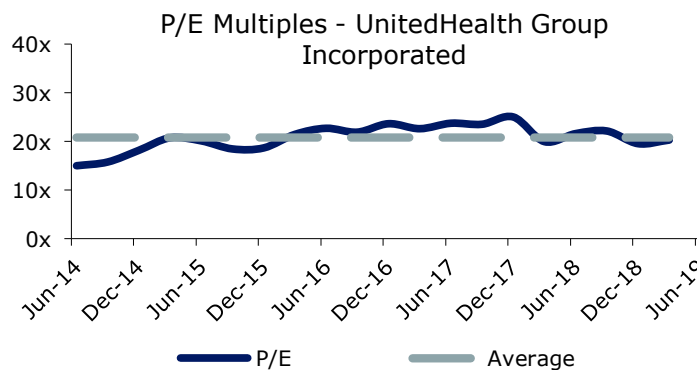
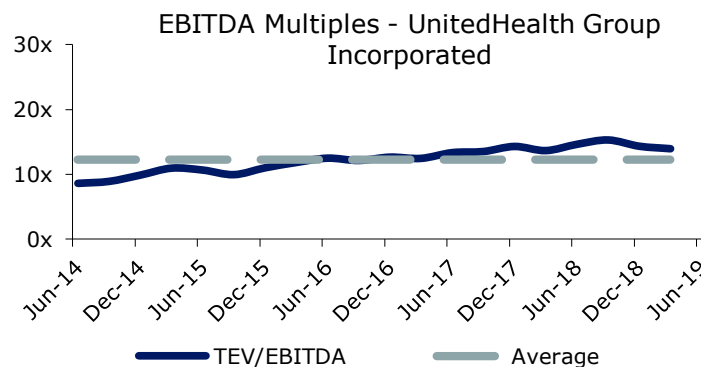
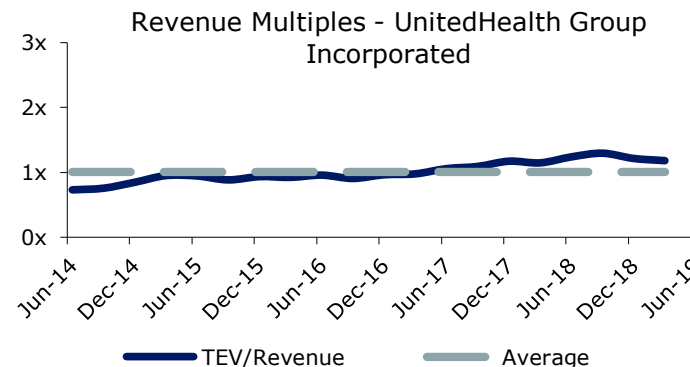
Public Basket



UnitedHealth Group Incorporated

UnitedHealth Group Incorporated operates as a diversified health care company in the United States. It operates through four segments: UnitedHealthcare, OptumHealth, OptumInsight, and OptumRx. The UnitedHealthcare segment offers consumer-oriented health benefit plans and services for national employers, public sector employers, mid-sized employers, small businesses, and individuals; health and well-being services to individuals age 50 and older, addressing their needs for preventive and acute health care services, as well as services dealing with chronic disease and other specialized issues for older individuals; and Medicaid plans, Children's Health Insurance Program, and health care programs; and health and dental benefits. The OptumHealth segment provides access to networks of care provider specialists, health management services, care delivery, consumer engagement, and financial services. This segment serves individuals through programs offered by employers, payers, government entities, and directly with the care delivery systems. UnitedHealth Group Incorporated was founded in 1974 and is based in Minnetonka, Minnesota.

Date	Key Development Headline
4/16/19	UnitedHealth Group Intends To Seek Acquisitions
11/27/18	UnitedHealth Group Seeks Acquisitions
7/17/18	UnitedHealth Seeks Acquisitions



CONTACT INFO

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.

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