



Sectorwatch: Healthcare - Primary Care

August 2019

Healthcare - Primary Care

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Introduction

As the healthcare landscape continues to evolve, primary care providers continue to form the foundation for population health management. Many value-based payment models rely upon patient attribution to primary care physicians as the basis for care delivery network formation and determining which provider groups to include. With a greater portion of healthcare dollars going towards chronic disease management and a clinical shift towards whole-health management in the coordination of patient care, the importance of primary care groups is greater than ever. The clinical, technological, and administrative capabilities of provider groups to participate in population health management programs and to succeed in at-risk payor environments at scale is driving increasing M&A activity by strategic and private equity buyers within the primary care sector.

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.



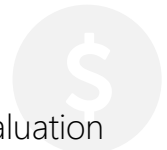
Public Basket Performance

- 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

↑ **0.4%**

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

Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing

Pricing / Gross Margin Momentum

↑ **0.8%**

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

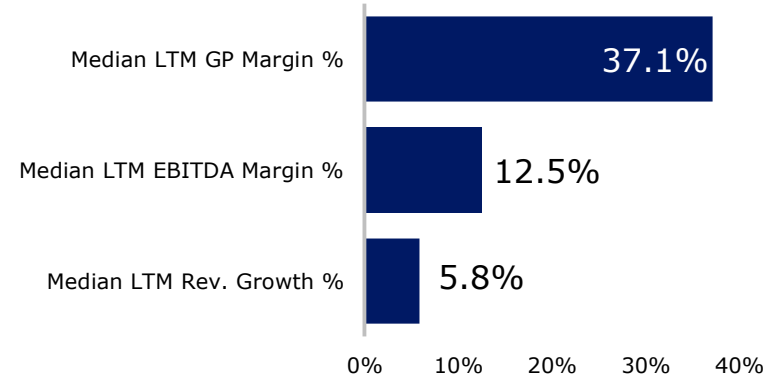
Profitability Momentum

↑ **1.2%**

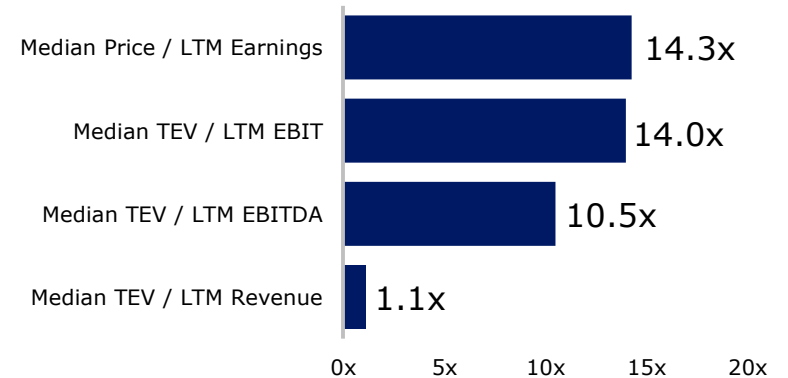
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

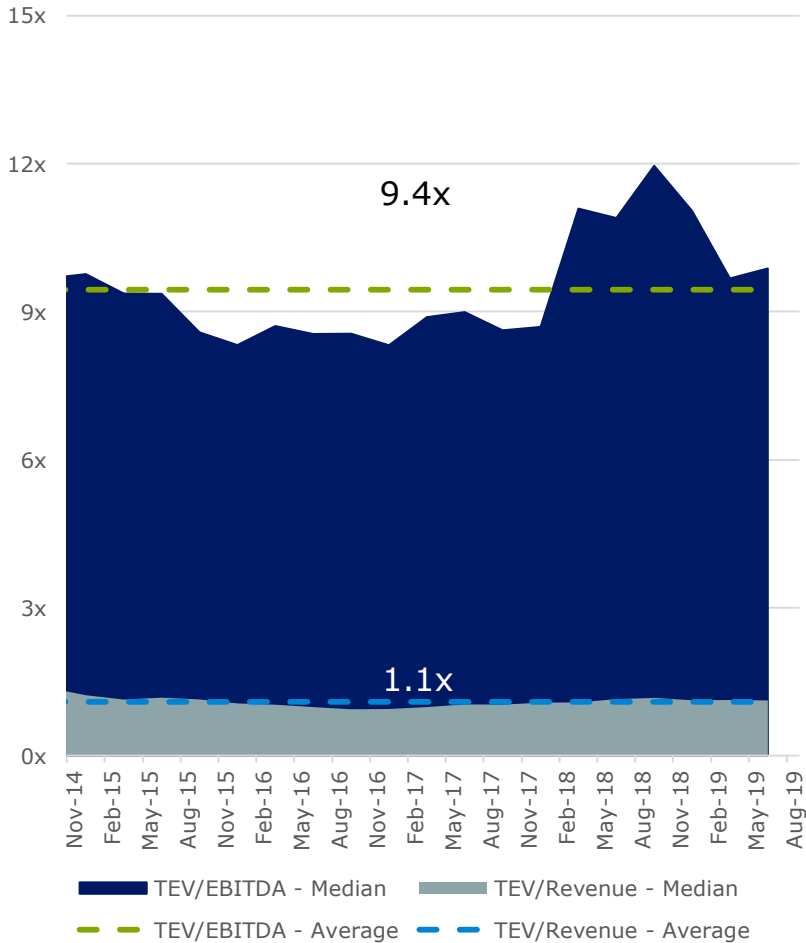


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Community Health Systems, Inc.	14,824	13,583	-3%	38%	10%	1.1	10.9	70,000	194
Universal Health Services, Inc.	17,399	11,063	5%	40%	16%	1.6	10.1	64,200	172
Tenet Healthcare Corporation	20,005	18,213	-3%	36%	15%	1.1	6.9	90,090	202
HCA Healthcare, Inc.	79,614	48,844	8%	38%	19%	1.6	8.4	196,000	249
Anthem, Inc.	86,294	96,742	7%	21%	7%	0.9	13.3	63,900	1,514
UnitedHealth Group Incorporated	263,957	235,876	10%	23%	9%	1.1	12.8	300,000	786

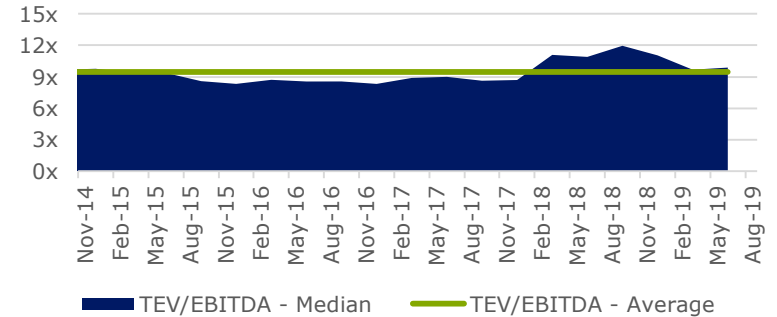
Average	80,349	70,720	4%	33%	13%	1.2	10.4	130,698	520
Median	49,810	33,529	6%	37%	12%	1.1	10.5	80,045	226

share price as of 15Aug19

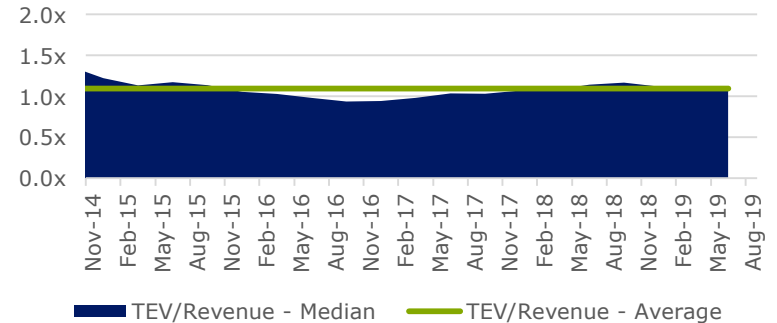
Public Basket Valuation Trends



Public EBITDA Multiples over Time



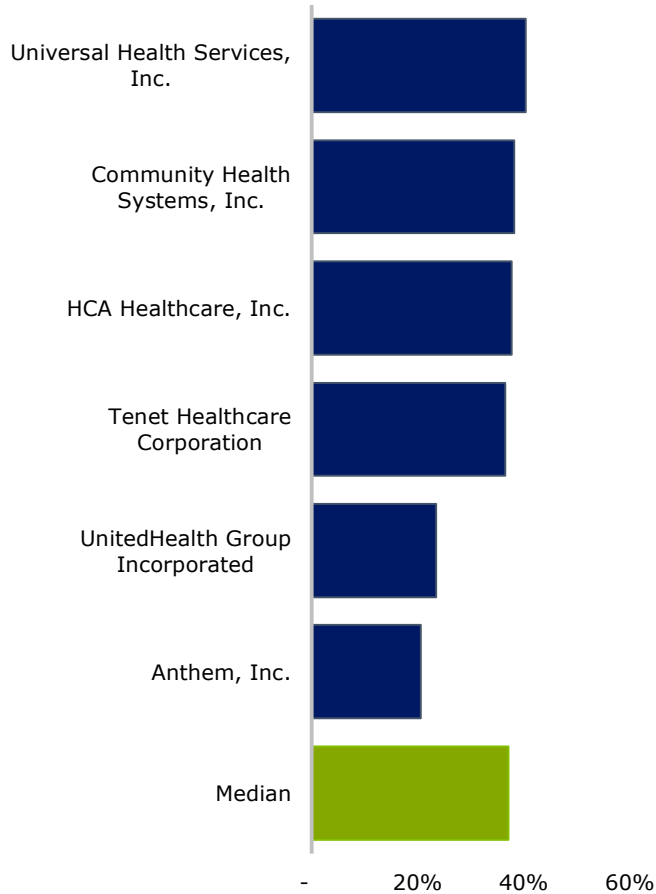
Public Revenue Multiples over Time



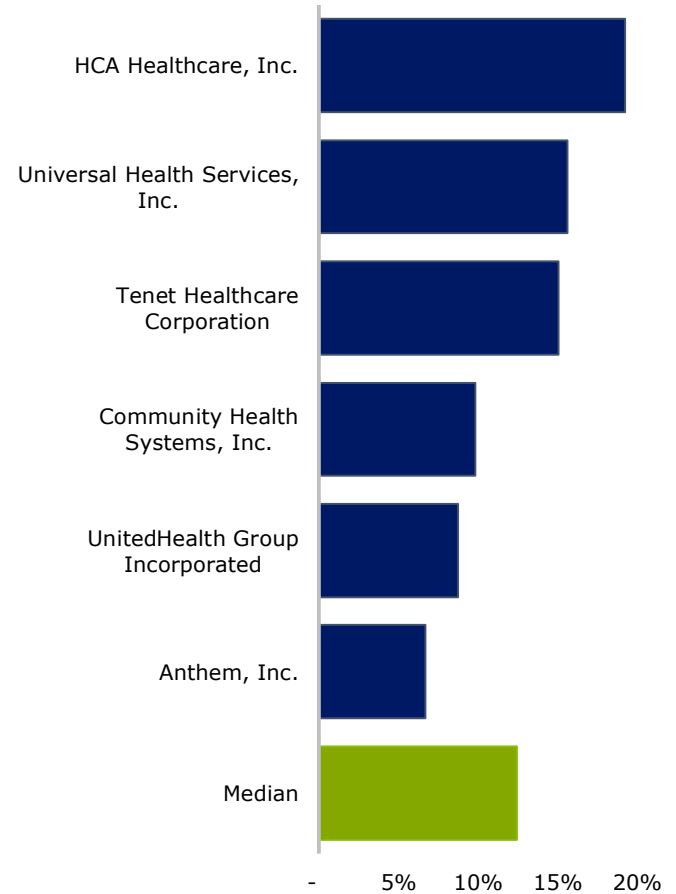
Operational Metrics



LTM Gross Profit Margin %



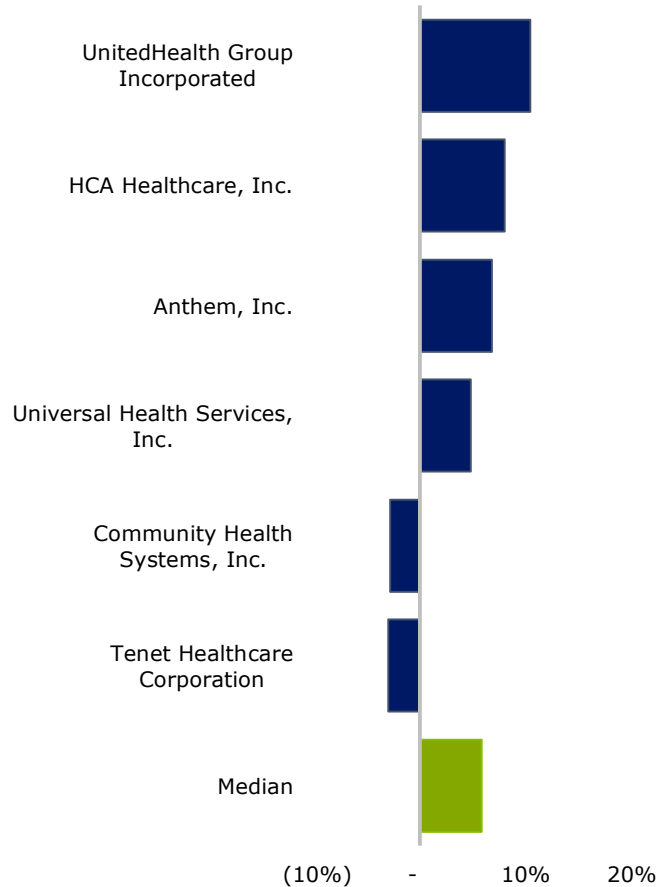
LTM EBITDA %



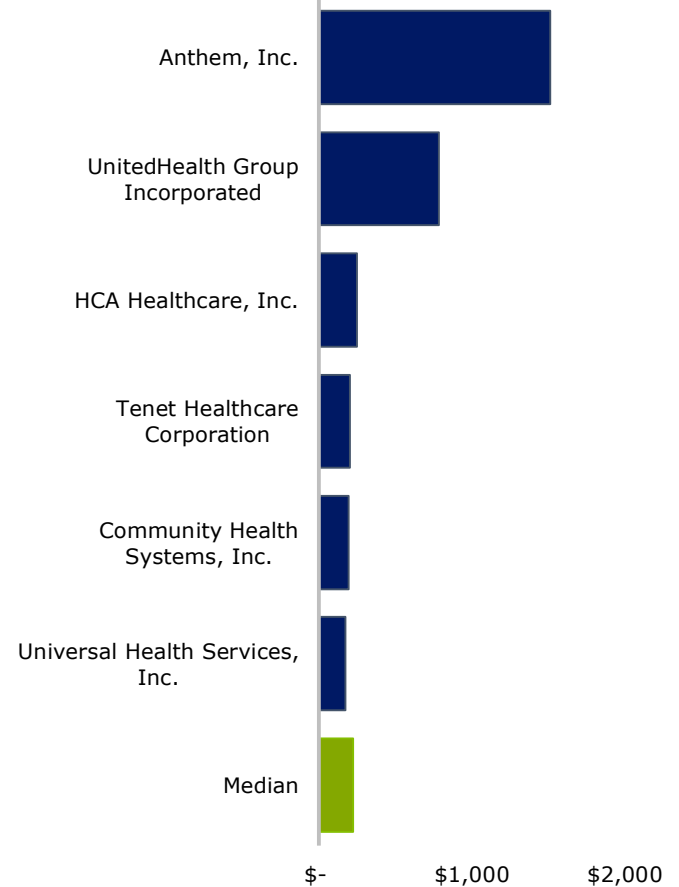
Operational Metrics



LTM Revenue Growth %



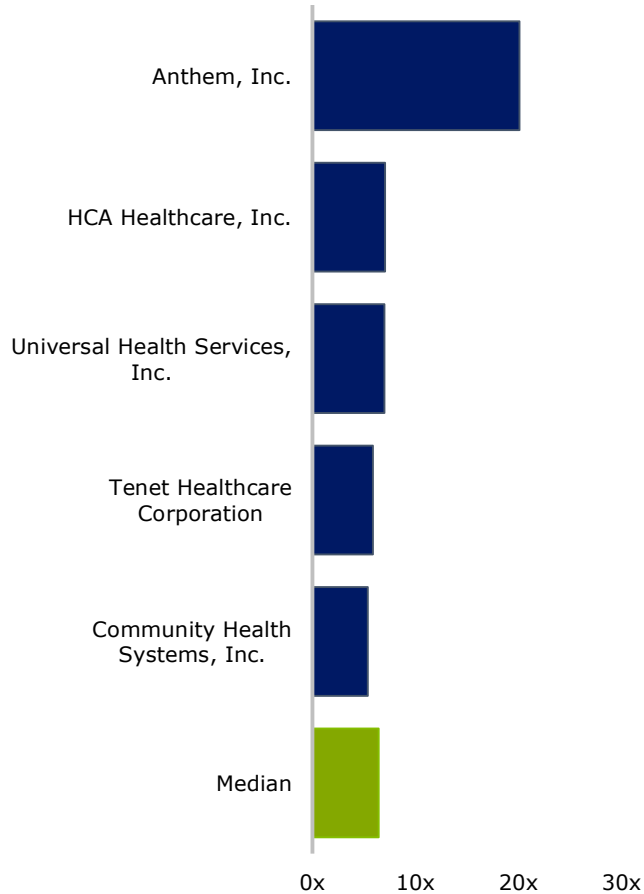
LTM Revenue per Full Time Employee x 000's



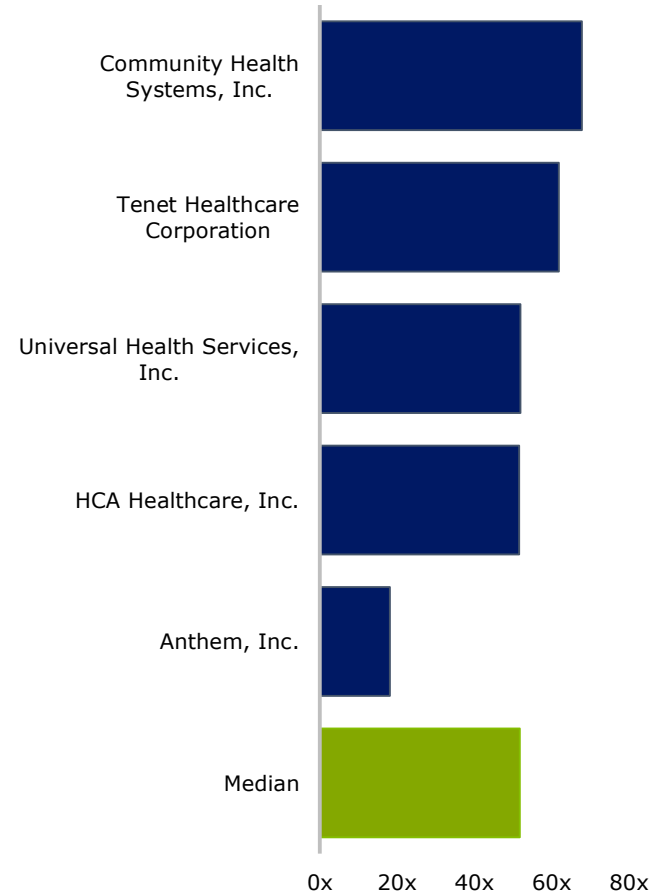
Operational Metrics



Accounts Receivable Turnover



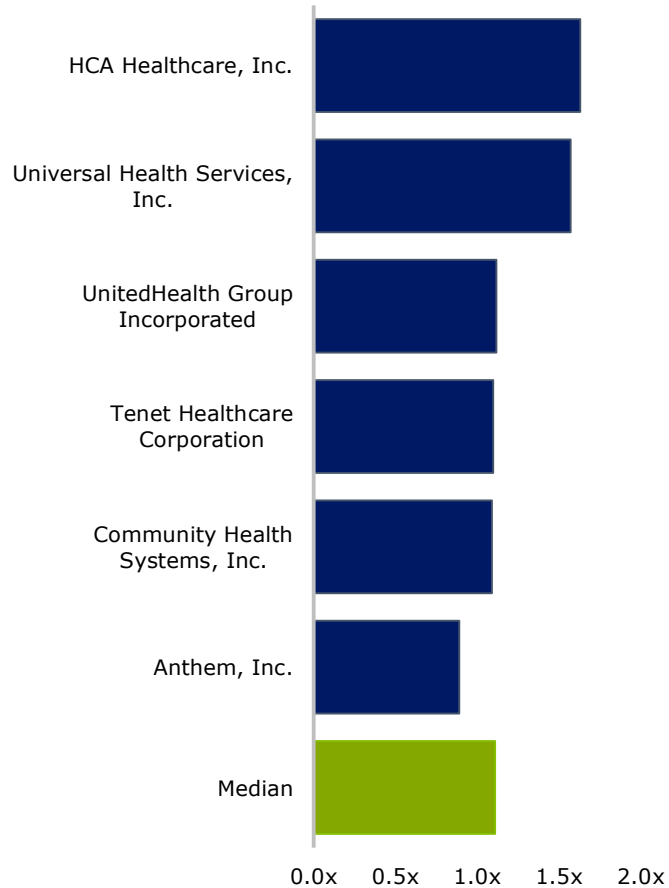
Average Days Sales Outstanding



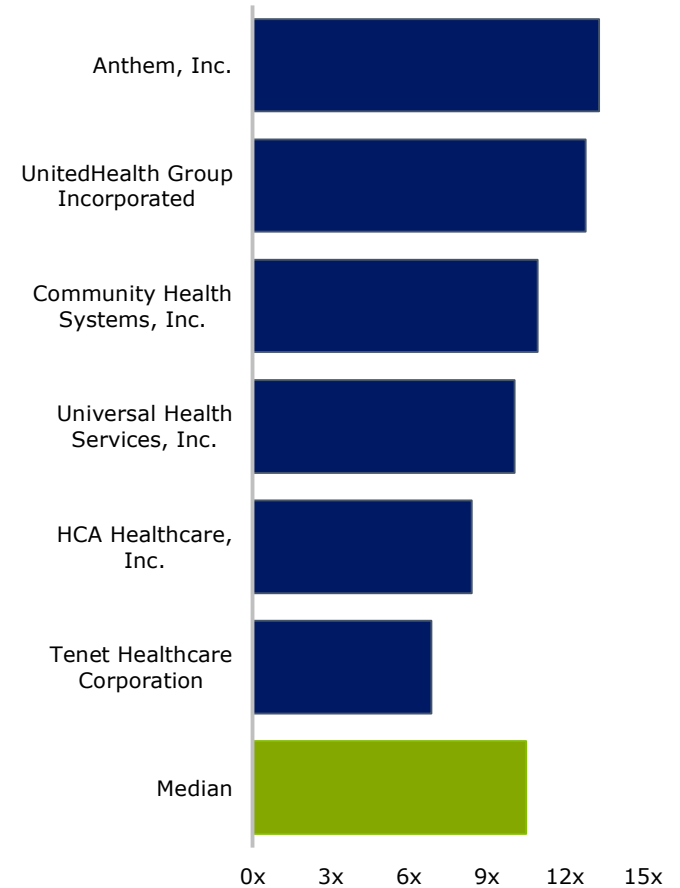
Valuation



TEV / LTM Revenue



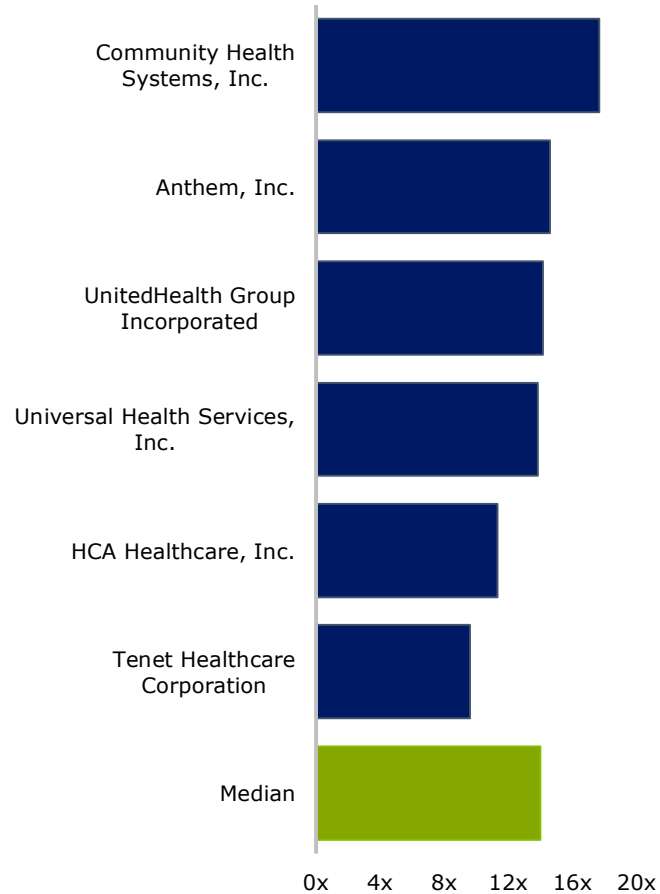
TEV / LTM EBITDA



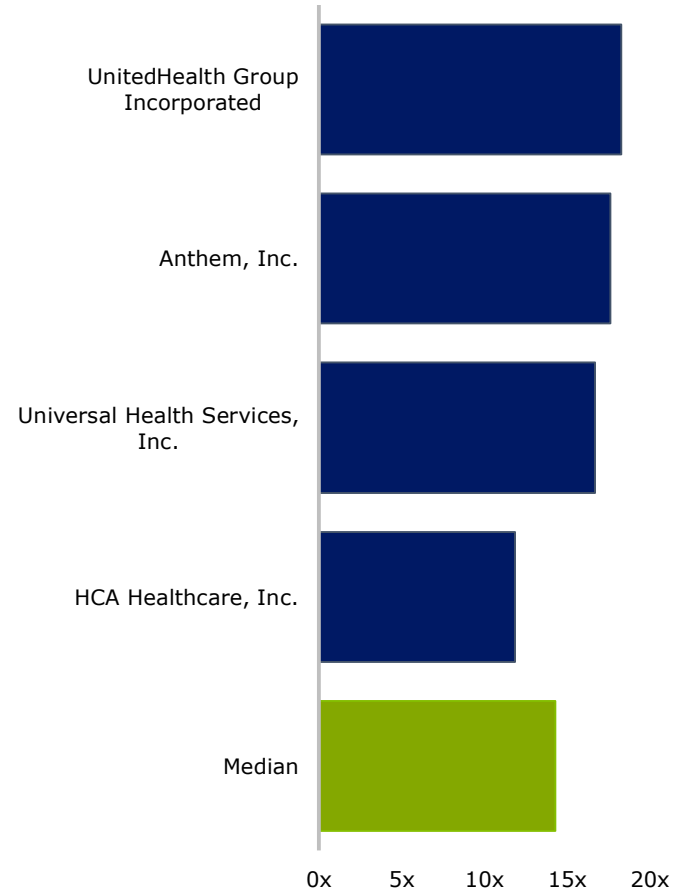
Valuation



TEV / LTM EBIT



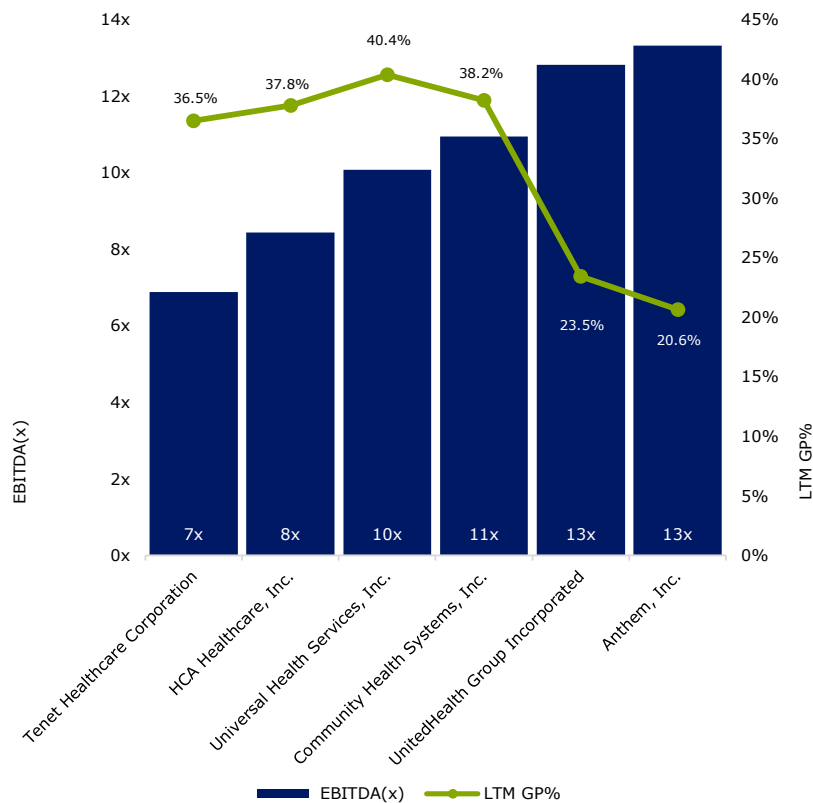
Price / LTM Earnings



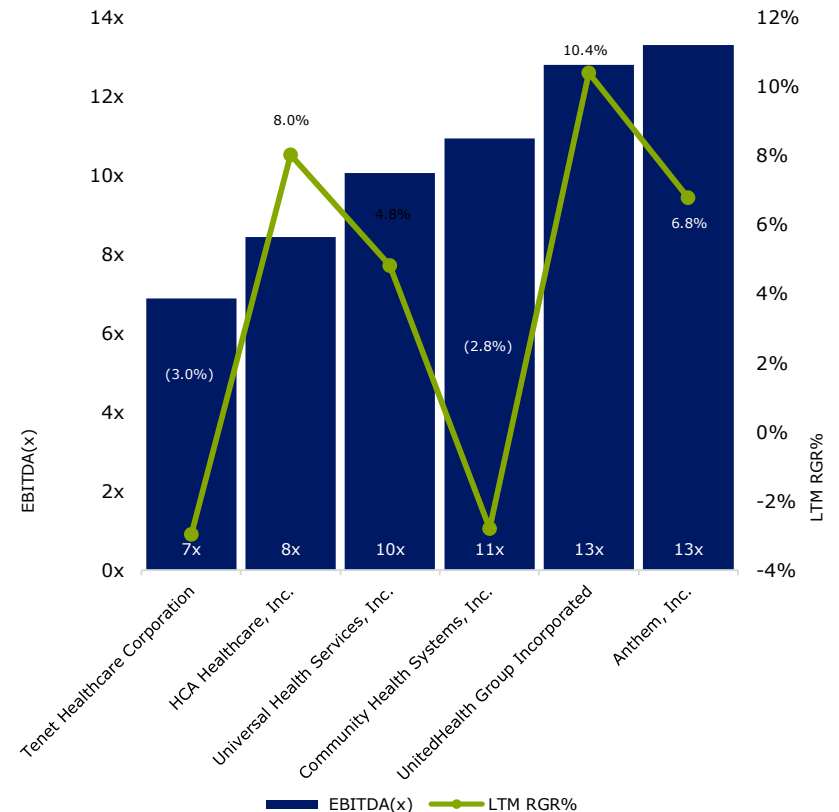
Valuation



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
24Jul19	Fort Washington Medical Center, Inc.	Adventist HealthCare, Inc.	-	-	-	-
1Jul19	Frontline Foundations, Inc.	North Shore Health Centers, Inc	-	-	-	-
9Jul19	Meritra Health, LLC.	Mineral Mountain Mining & Milling Company (nka:Quad M Solutions Inc.)	-	-	-	-
9Jul19	Summa Health System	Beaumont Health	-	1,400.00	-	-
1Jul19	Pioneer Medical Group, Inc.	PIH Health Physicians	-	-	-	-
1Jul19	McCready Health	Peninsula Regional Health System, Inc.	-	-	-	-
28Jun19	Iowa Health System, Inc.	Sanford Health	-	-	-	-
22May19	Lake Wales Hospital Corporation	Adventist Health System Sunbelt Healthcare Corporation	-	-	-	-
1Apr19	Signature MD, Inc.	Blue Sea Capital LLC	-	-	-	-
26Feb19	Bon Secours Baltimore Health Corporation	LifeBridge Health, Inc.	-	-	-	-
30Jan19	Aprima Medical Software, Inc.	e-MDs, Inc.	-	-	-	-
16Jan19	Activate Healthcare, LLC	Paladina Health, LLC	-	-	-	-
16Jan19	Pediatric Alliance P.C.	Allegheny Health Network, Inc.	-	-	-	-
18Dec18	Saltzer Medical Group, P.A.	Ball Ventures Ahlquist	-	-	-	-
3Jan19	Chiron Health, Inc.	Medici Technologies, LLC	-	-	-	-

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APPENDIX:
Public Basket
Constituents

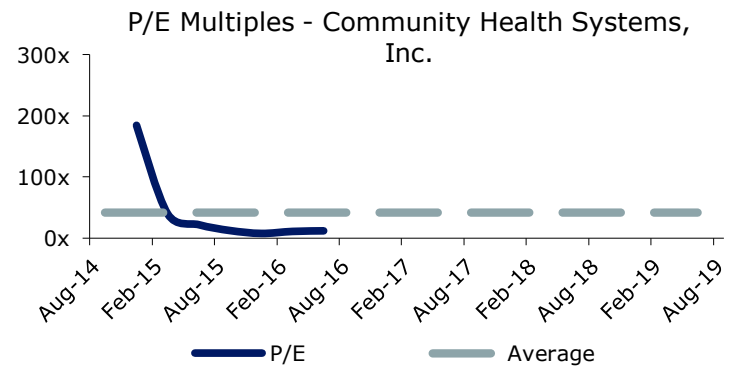
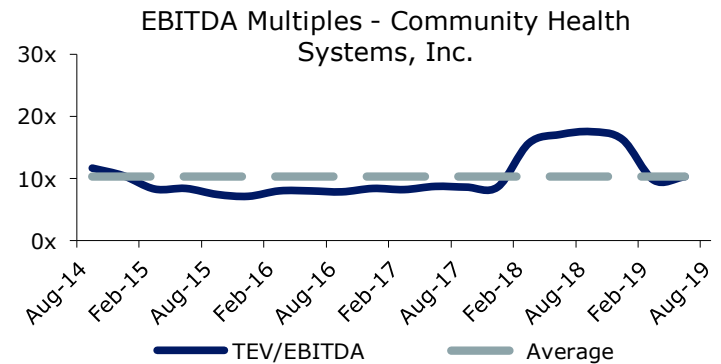
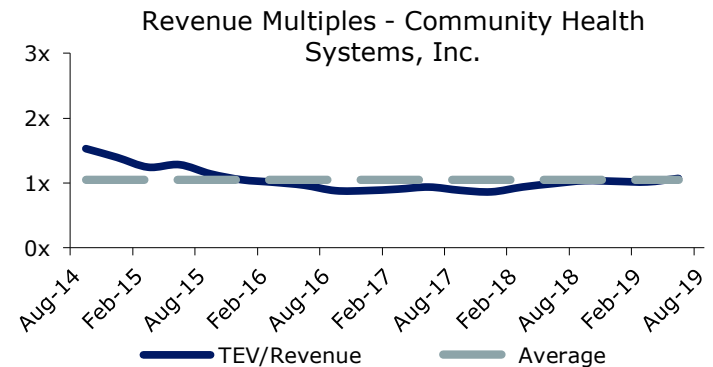
Public Basket



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
8/5/19	Community Health Systems, Inc. (NYSE:CYH) acquired Northwest Mississippi Medical Center from Curae Health Inc. for \$7 million.
7/31/19	Vanderbilt University Medical Center completed the acquisition of Tennova Healthcare - Lebanon from Community Health Systems, Inc. (NYSE:CYH).
6/26/19	Princeton Community Hospital, Inc. signed a definitive agreement to acquire Bluefield Hospital Company, LLC from Community Health Systems, Inc. (NYSE:CYH).
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).



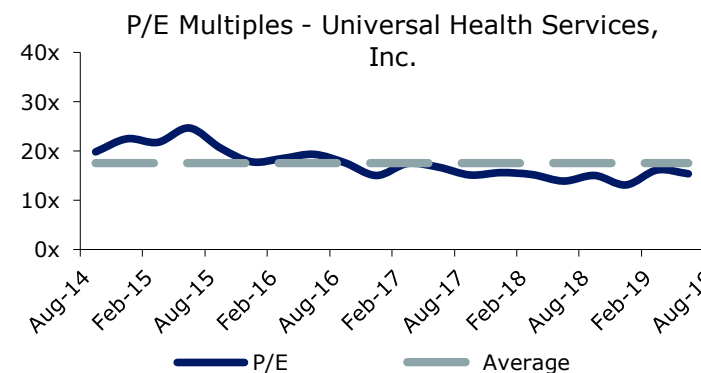
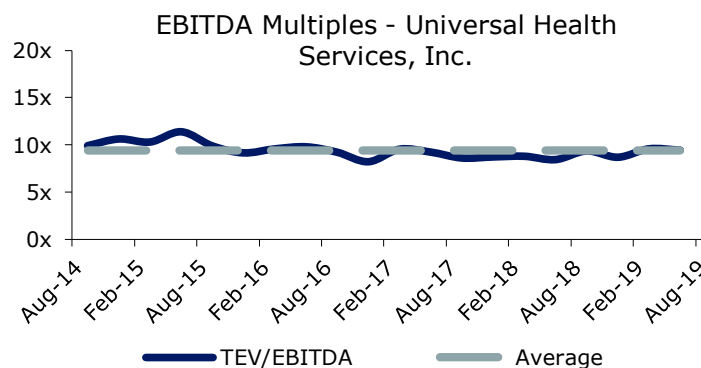
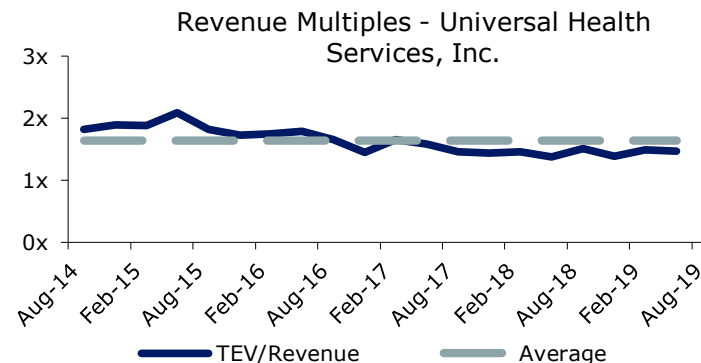
Public Basket



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



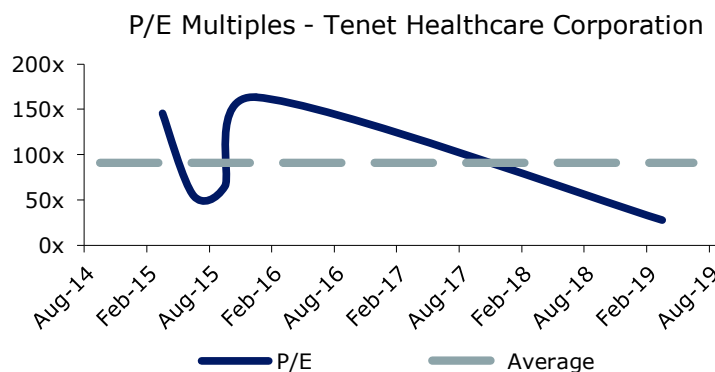
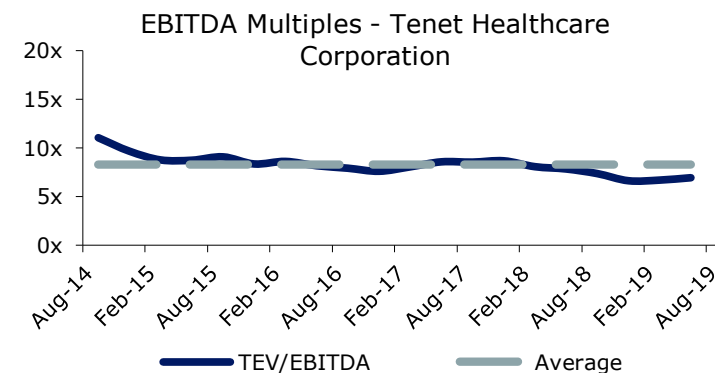
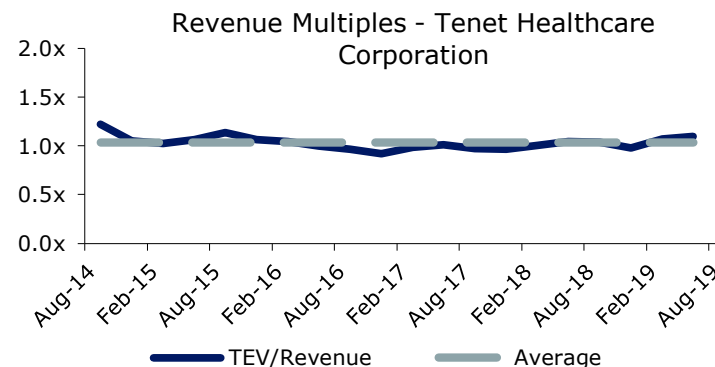
Public Basket



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.



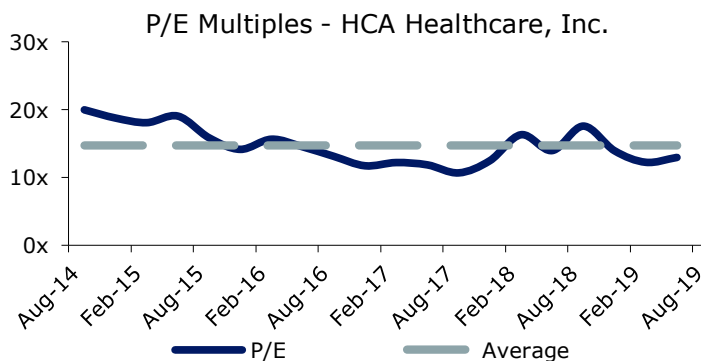
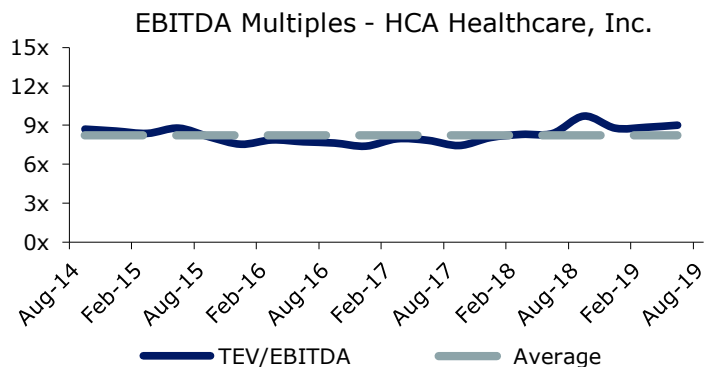
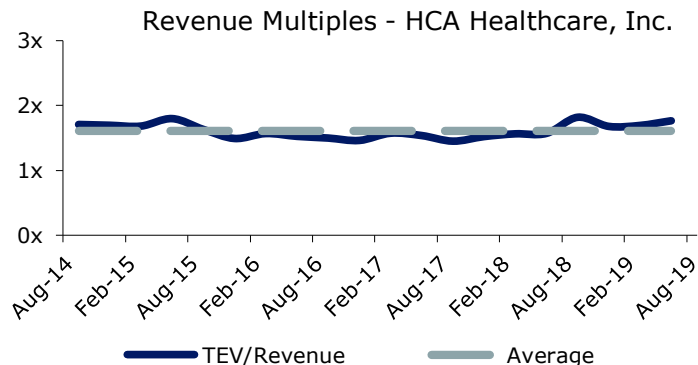
Public Basket



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
6/30/19	HCA Healthcare, Inc. (NYSE:HCA) acquired 24 MedSpring Urgent Care Centers in Texas from Fresenius Medical Care AG & Co. KGaA (XTRA:FME).
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.



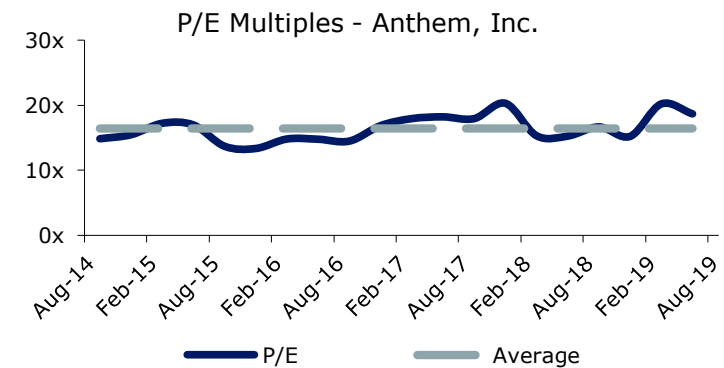
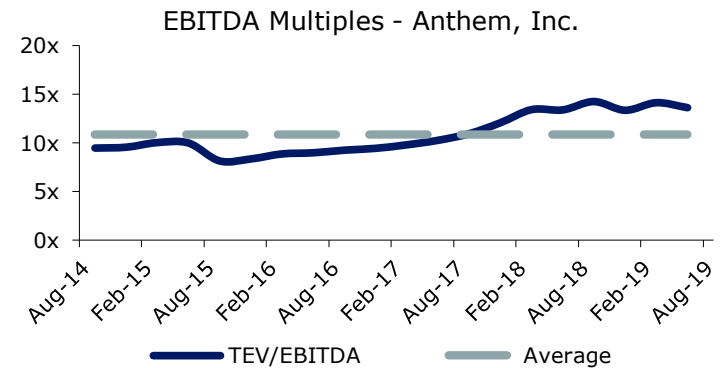
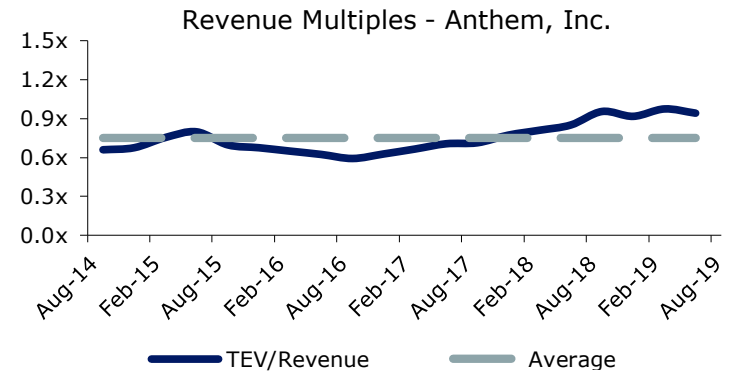
Public Basket



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
6/5/19	Anthem, Inc. (NYSE:ANTM) entered into a definitive agreement to acquire Beacon Health Options from Bain Capital Private Equity, LP and Diamond Castle Holdings, LLC.
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



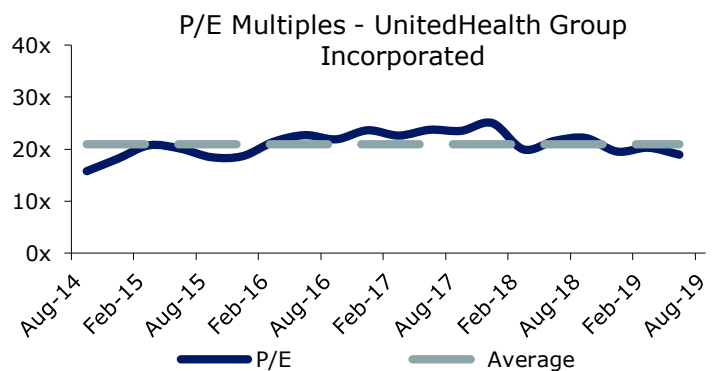
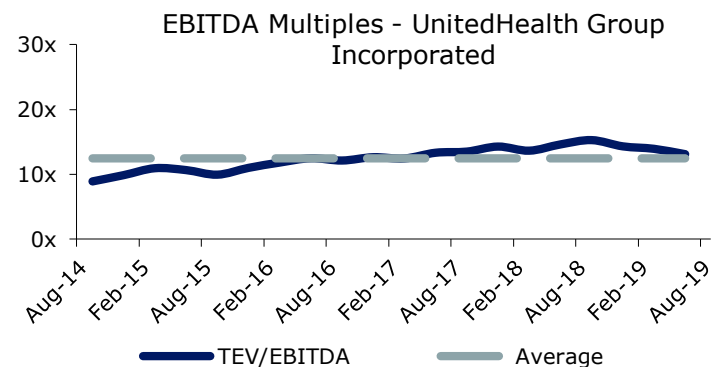
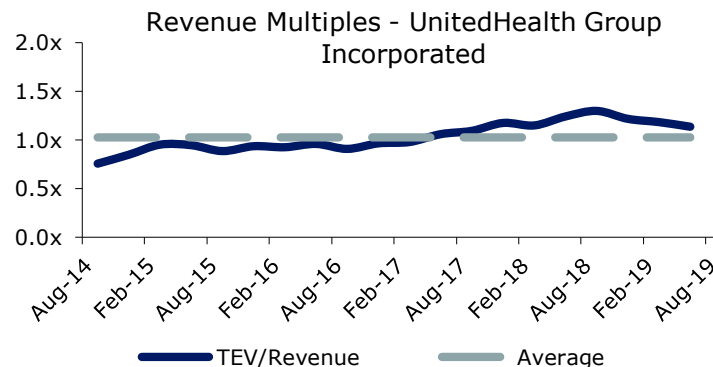
Public Basket



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. UnitedHealth Group Incorporated was founded in 1974 and is based in Minnetonka, Minnesota.

Date	Key Development Headline
7/24/19	UnitedHealth To Seek Acquisitions
6/23/19	UnitedHealth Group Incorporated (NYSE:UNH) acquired PatientsLikeMe Inc. from iCarbonx and others.
4/16/19	UnitedHealth Group Intends To Seek Acquisitions
11/27/18	UnitedHealth Group 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.

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	312.796.9330	jeff@7mileadvisors.com
Mark Landry, Managing Director	561.972.0609	mark@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Neil Churman, Director	281.742.9340	neil@7mileadvisors.com
John Cooper, Director	704.973.3996	john@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Ben Garber, Vice President	412.626.7898	ben.garber@7mileadvisors.com
Nicholas Prendergast, Financial Analyst	704.973.3995	nicholas@7mileadvisors.com
Ariail Siggins, Marketing Director	704.981.2908	ariail@7mileadvisors.com
Emily Halstenberg, Marketing & Sales Coordinator	704.409.9912	emily@7mileadvisors.com
Sydney Larese, Associate	704.973.3998	sydney@7mileadvisors.com
Marty Johnson, Associate	704.973.3999	marty@7mileadvisors.com
Rory Julyan, Associate	704.981.2520	rory@7mileadvisors.com
Garth Martin, Associate	704.973.3997	garth.martin@7mileadvisors.com
Dennis Fox, Associate	704.706.9168	dennis@7mileadvisors.com
Steve Buffington, Associate	704.960.1828	steve@7mileadvisors.com