



Sectorwatch: Healthcare - Specialty Care

November 2019

Healthcare - Specialty Care

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Introduction

Many specialty care industries today are characterized by highly fragmented markets, increasing regulatory and administrative requirements, and provider shortages driven by accelerating rates of retirement and increasing costs for new physicians. These combined forces have resulted in high volumes of private equity activity at record multiples to roll-up sub-sectors to form large platform provider groups. Areas of particularly high interest continue to include home health and palliative care, skilled nursing, hospice, dental, vision and eye care, dermatology, behavioral health, and outsourced services including radiology and diagnostic imaging.

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

↓ -6.2%

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

↓ -0.5%

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

Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

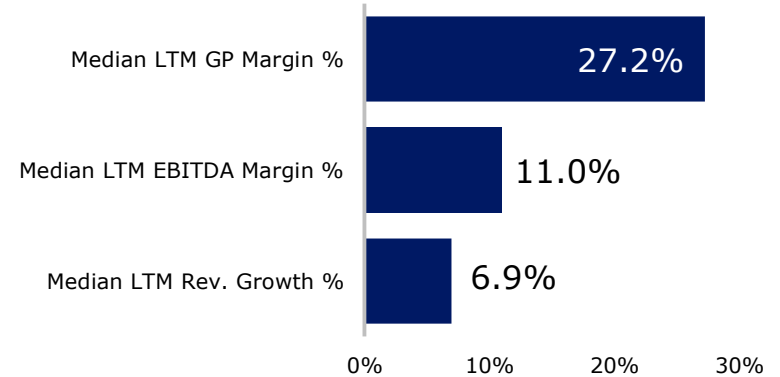
Profitability Momentum

↑ 1.1%

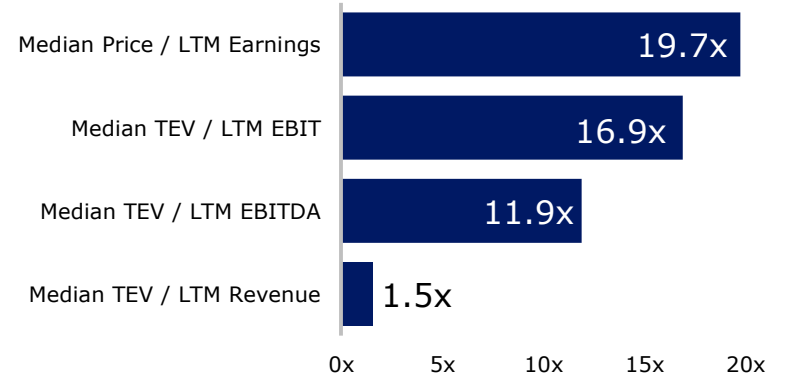
1 - year EBITDA % compared to EBITDA % average for last 3 years

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



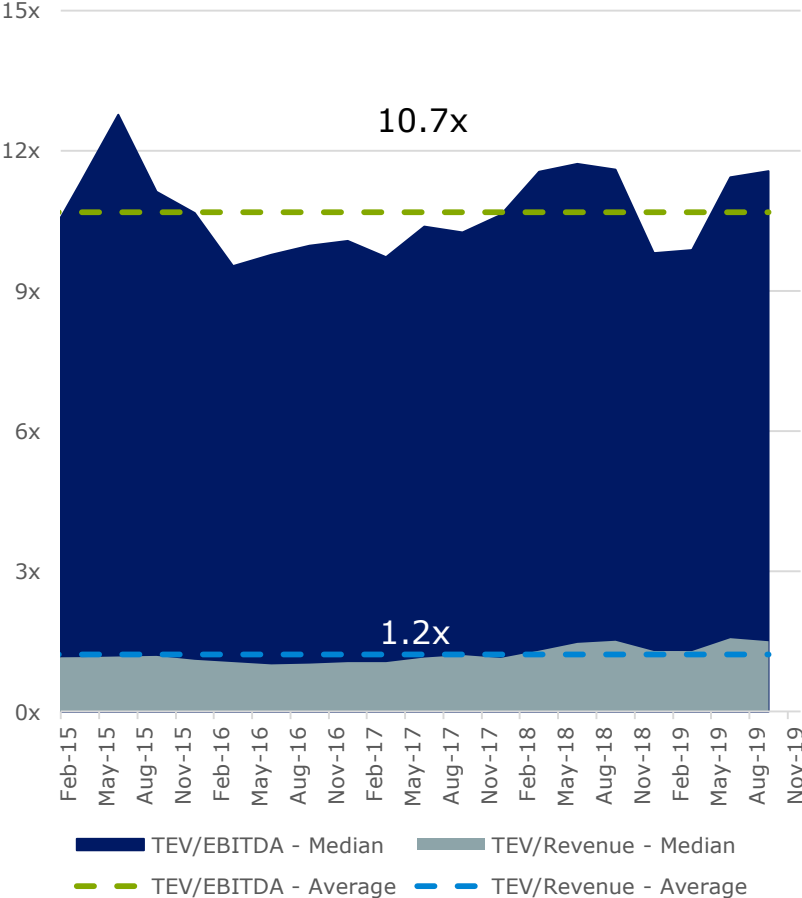
Public Basket



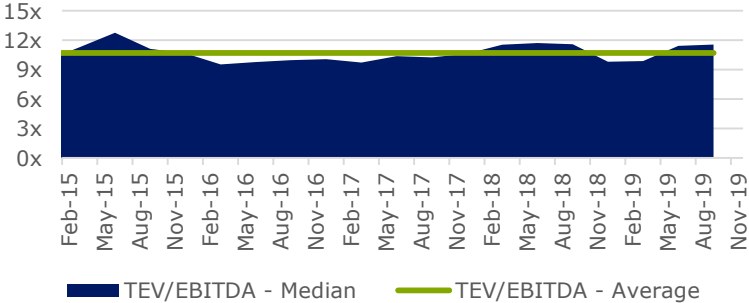
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Addus HomeCare Corporation	1,201	598	22%	27%	7%	2.0	28.5	4,875	123
Magellan Health, Inc.	2,404	7,201	1%	2%	2%	0.3	19.4	10,500	686
The Ensign Group, Inc.	3,460	2,263	14%	15%	10%	1.5	15.8	23,463	96
MEDNAX, Inc.	4,125	3,689	6%	27%	14%	1.1	7.7	11,875	311
Genesis Healthcare, Inc.	4,247	4,616	-10%	45%	5%	0.9	17.8	61,300	75
Acadia Healthcare Company, Inc.	6,506	3,071	3%	41%	18%	2.1	11.7	28,600	107
Select Medical Holdings Corporation	8,229	5,344	9%	20%	12%	1.5	12.0	33,700	159
Encompass Health Corporation	10,746	4,517	8%	41%	20%	2.4	11.8	25,770	175
DaVita Inc.	20,732	11,311	-1%	30%	20%	1.8	9.1	77,700	146
Centene Corporation	26,343	68,369	30%	17%	5%	0.4	8.2	47,300	1,445
Average	8,799	11,098	8%	26%	11%	1.4	14.2	32,508	332
Median	5,377	4,566	7%	27%	11%	1.5	11.9	27,185	152

share price as of 21Nov19

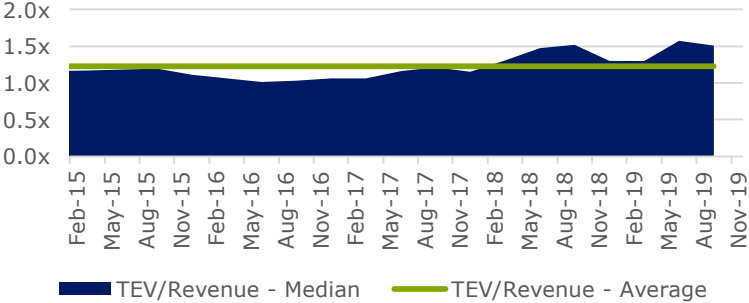
Public Basket Valuation Trends



Public EBITDA Multiples over Time



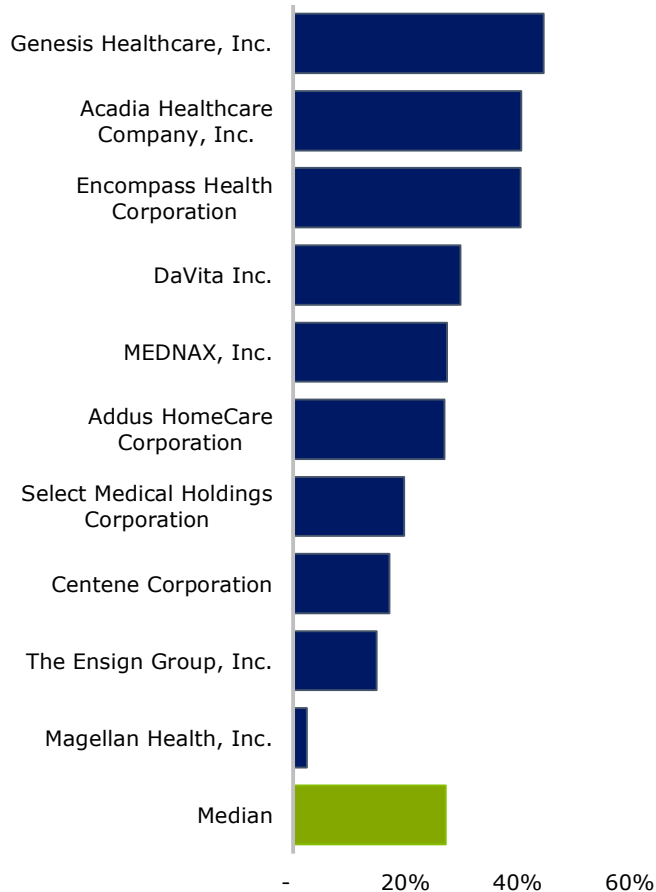
Public Revenue Multiples over Time



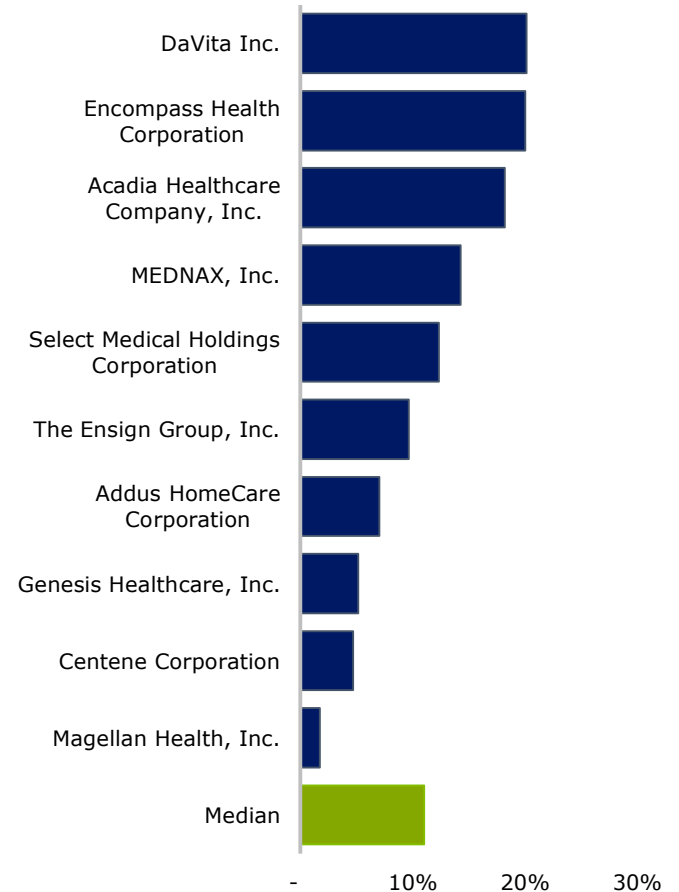
Operational Metrics



LTM Gross Profit Margin %



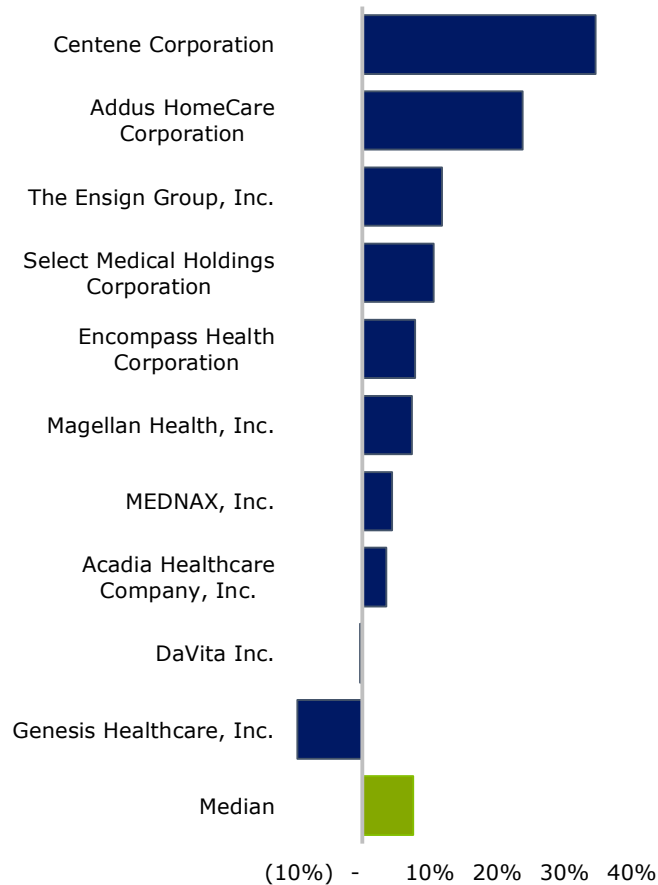
LTM EBITDA %



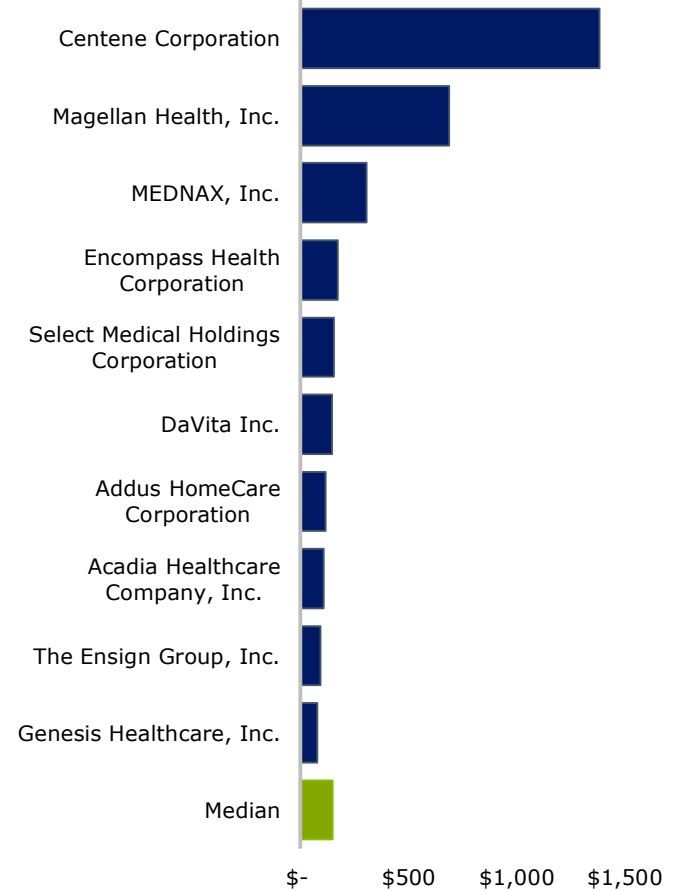
Operational Metrics



LTM Revenue Growth %



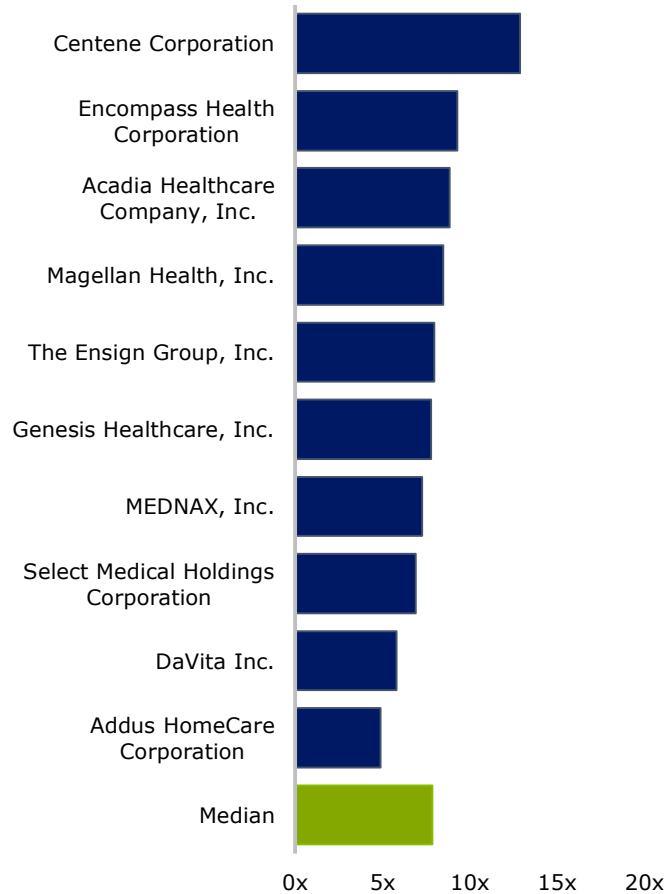
LTM Revenue per Full Time Employee x 000's



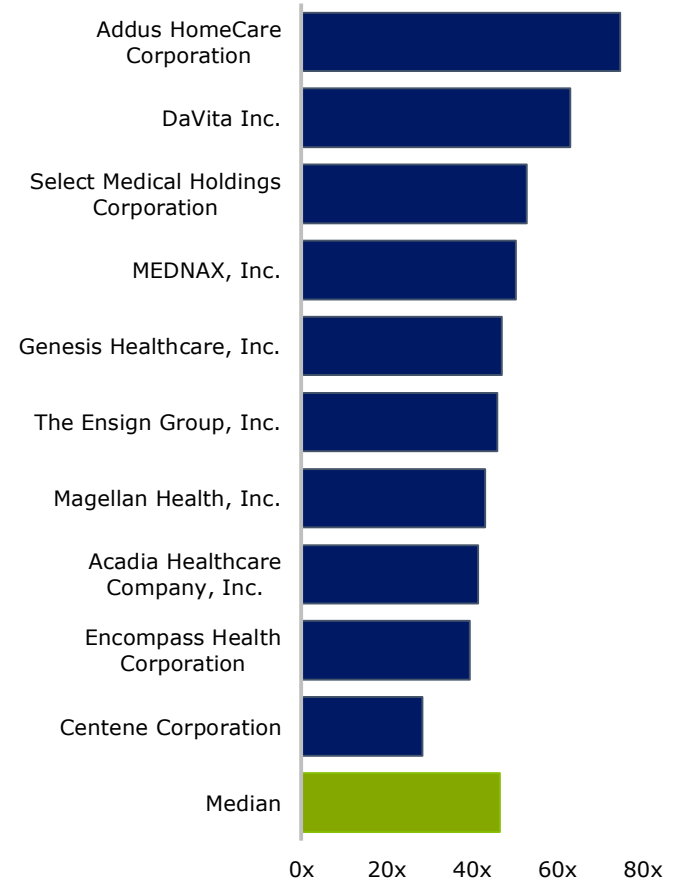
Operational Metrics



Accounts Receivable Turnover



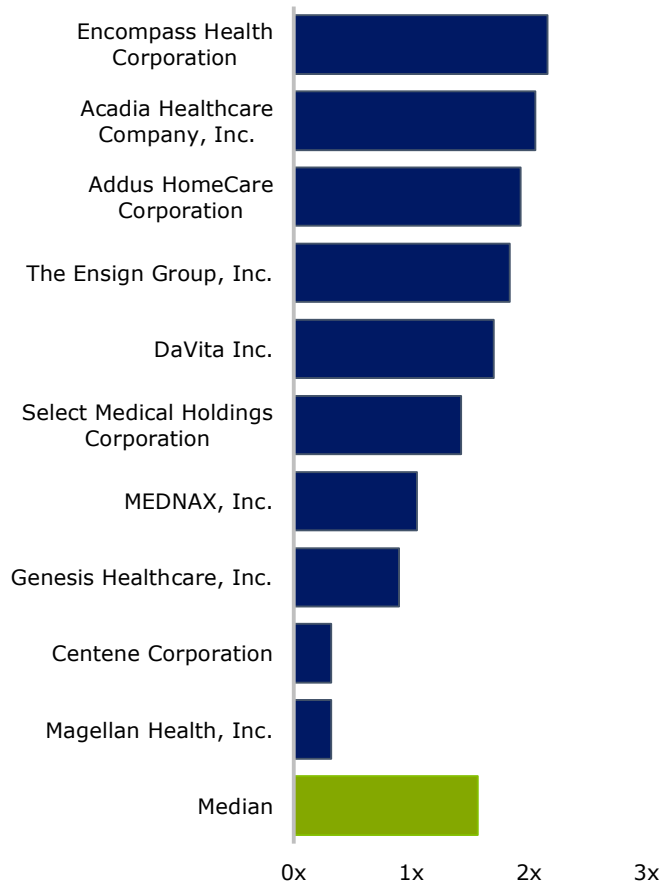
Average Days Sales Outstanding



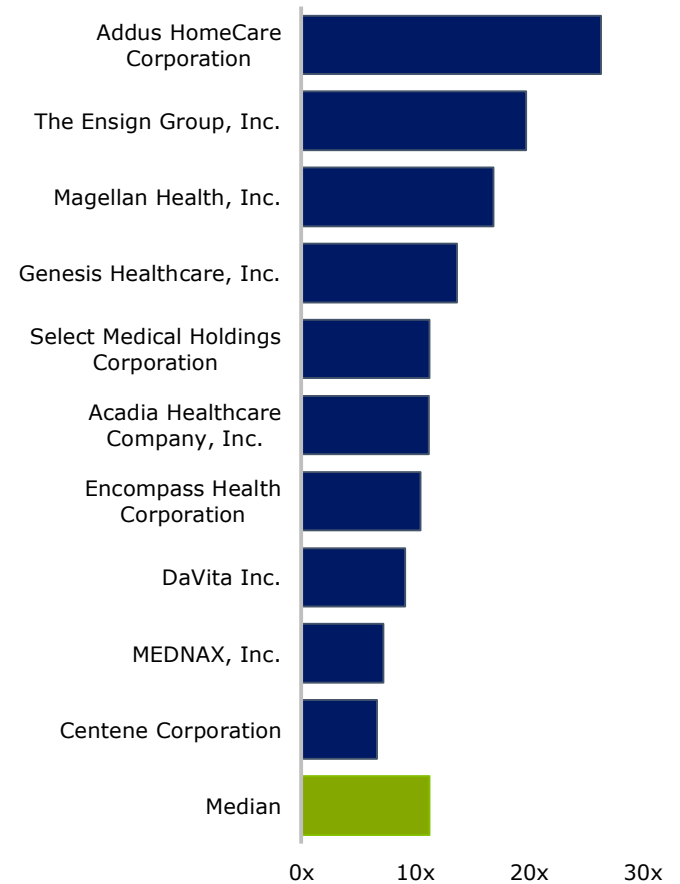
Valuation



TEV / LTM Revenue



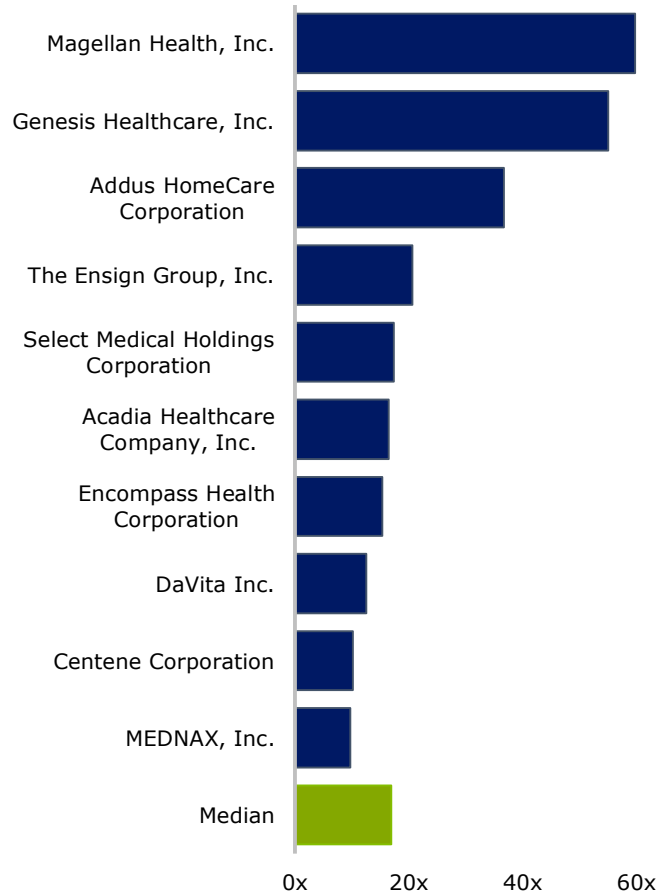
TEV / LTM EBITDA



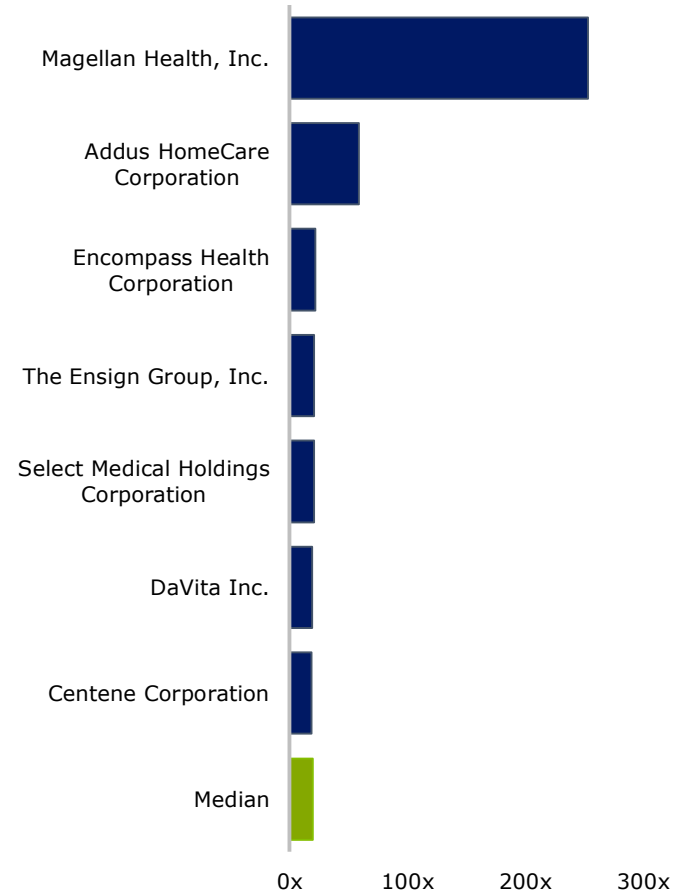
Valuation



TEV / LTM EBIT



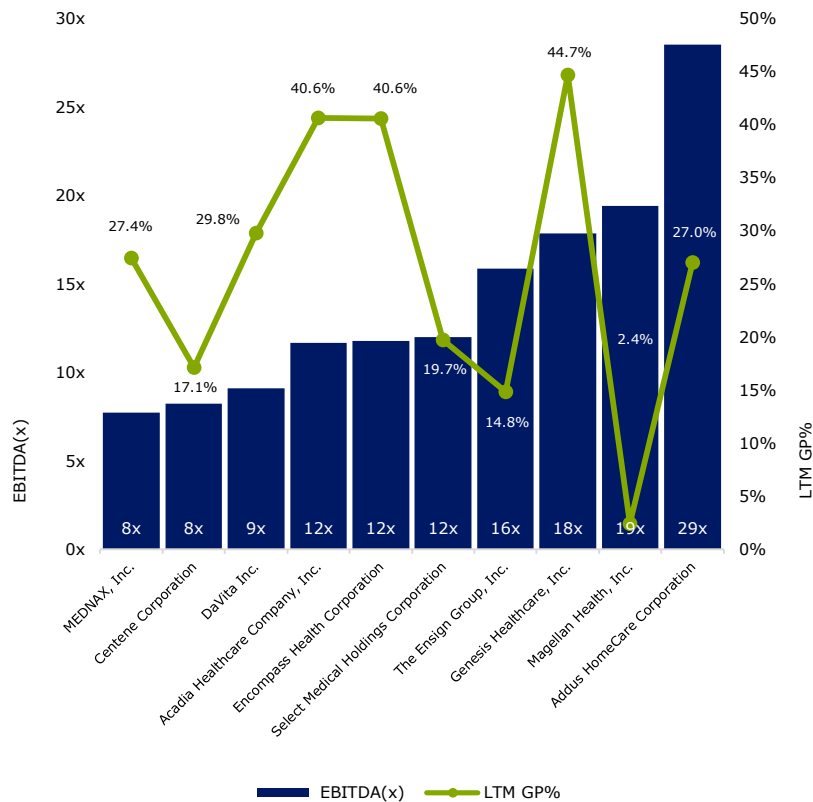
Price / LTM Earnings



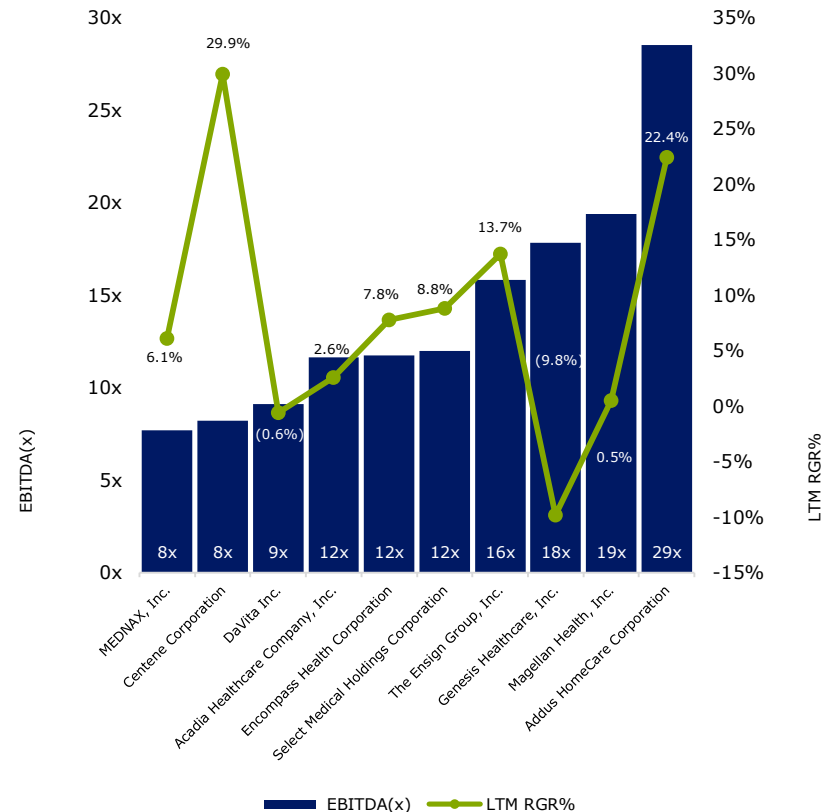
Valuation



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
31Oct19	Noble International Inc. / Genia Medical, Inc. / JBCB Holdings, LLC	AptarGroup, Inc.	93.30	-	-	-
28Oct19	Six Newly Built, Class-A Senior Living Communities in California	Welltower Inc.	297.00	-	-	-
30Sep19	Seniors Housing Community in Connecticut	Welltower Inc.	31.00	-	-	-
28Oct19	True Partners Emergency Physicians LLC	American Physician Partners, LLC	-	-	-	-
23Oct19	Health Navigators, LLC	Amazon.com, Inc.	-	-	-	-
22Oct19	Octave Health Group Inc.	Greycroft Partners LLC; Felicis Ventures; Obvious Ventures, L.P.	11.00	-	-	-
22Oct19	Systems Oncology, LLC	The Pritzker Organization, LLC	-	-	-	-
22Oct19	New Life Addiction Counseling Services, Inc.	Discovery Behavioral Health	-	-	-	-
21Oct19	DentalOne Partners, Inc.	Mid-Atlantic Dental Service Holdings LLC	-	-	-	-
18Oct19	DanielCare Caring Choice, LLC	Care Finders Total Care LLC	-	-	-	-
18Oct19	Apex Eye	CEI Vision Partners, LLC	-	-	-	-
17Oct19	Vybe Urgent Care	-	4.90	-	-	-
16Oct19	Certain Assets of Envoy Health Management, LLC	Diligent Health Solutions, LLC	-	-	-	-
16Oct19	Great Lakes Home Health Care Agency, LLC	Revelstoke Capital Partners LLC	-	-	-	-
15Oct19	Englewood Medical Associates Inc	Hackensack Meridian Health, Inc.	-	-	-	-
15Oct19	Grene Vision Group, L.L.C.	EyeCare Partners, LLC	-	-	-	-
15Oct19	Transitions Hospice, LLC	MHS Equities, LLC; Missouri Home Hospice, LLC	-	-	-	-
13Oct19	Remedy Chicago Inc.	The Motion Agency, Inc.	-	-	-	-
10Oct19	MedData, Inc.	Frazier Healthcare Partners; Frazier Healthcare Growth Buyout Fund IX, L.P.	300.00	-	-	-
10Oct19	MD Urgent Care P.C.	PhysicianOne Urgent Care	-	-	-	-
10Oct19	Vein Centers of Connecticut	Midstate Radiology Associates, LLC	-	-	-	-
10Oct19	Advanced Fertility Care, LLC	In Vitro Sciences, LLC	-	-	-	-
8Oct19	Central Florida Eye Specialists, P.L.	EyeSouth Partners, LLC	-	-	-	-
10Oct19	Mary Ryder Home	Provident Behavioral Health	-	1.94	-	-
8Oct19	Marathon Health, LLC	General Atlantic Service Company, L.P.	-	-	-	-
8Oct19	Concorde Medical Group, Pllc	Northwell Health, Inc.	-	-	-	-
4Oct19	Waterfront Senior Living Facility in Broward	Meridian Senior Living, LLC	57.10	-	-	-
2Oct19	Blacksburg Physical Therapy Associates, Inc.	CORA Health Services, Inc.	-	-	-	-

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APPENDIX:
Public Basket
Constituents

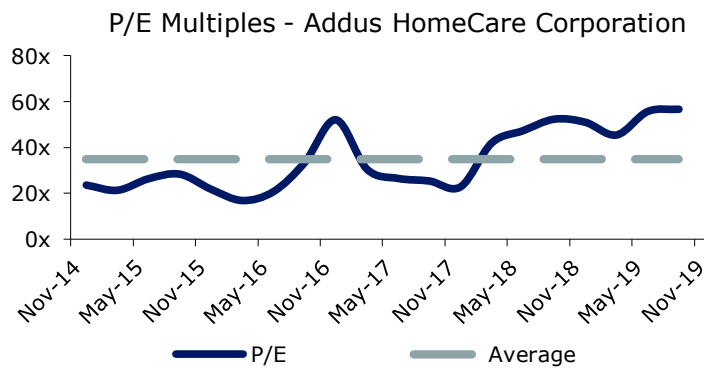
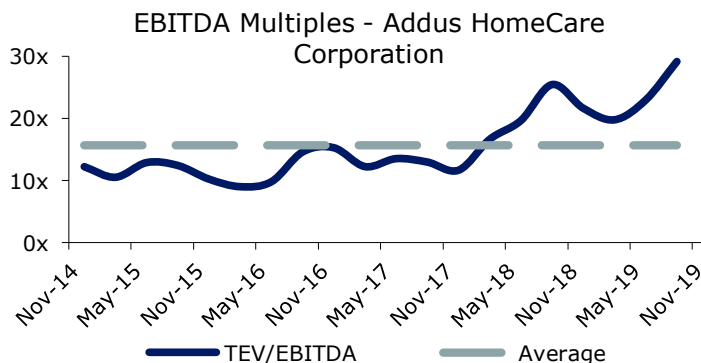
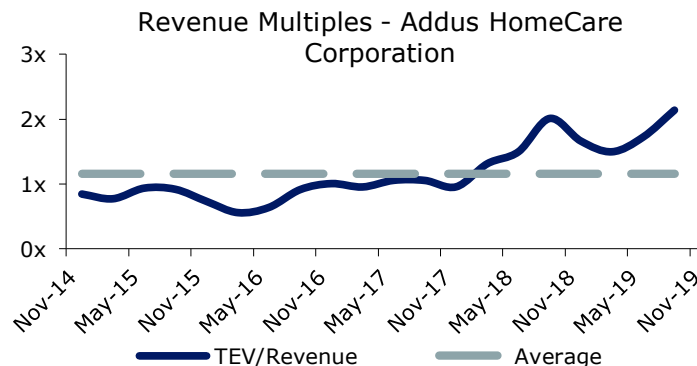
Public Basket



Addus HomeCare Corporation

Addus HomeCare Corporation provides personal care services to elderly, chronically ill, disabled persons, and individuals who are at risk of hospitalization or institutionalization in the United States. It operates in three segments: Personal Care, Hospice, and Home Health. The Personal Care segment provides non-medical assistance with activities of daily living. Its services include assistance with bathing, grooming, oral care, assistance with feeding and dressing, medication reminders, meal planning and preparation, housekeeping, and transportation services. The Hospice segment provides palliative nursing care, social work, spiritual counseling, homemaker, and bereavement counseling services for people who are terminally ill, as well as for their families. Addus HomeCare Corporation was founded in 1979 and is based in Frisco, Texas.

Date	Key Development Headline
9/9/19	Addus To Seek Acquisitions
8/4/19	Addus HomeCare Corporation (NasdaqGS:ADUS) acquired Alliance Home Health Care, LLC/House Calls of New Mexico, LLC /The Operating Assets of Foremost for approximately \$24 million.
6/4/19	Addus HomeCare Intends To Seek Acquisitions
6/2/19	Addus HomeCare Corporation (NasdaqGS:ADUS) completed the the acquisition of assets of VIP Health Care Services, Inc.
3/4/19	Addus HomeCare To Seek Acquisitions



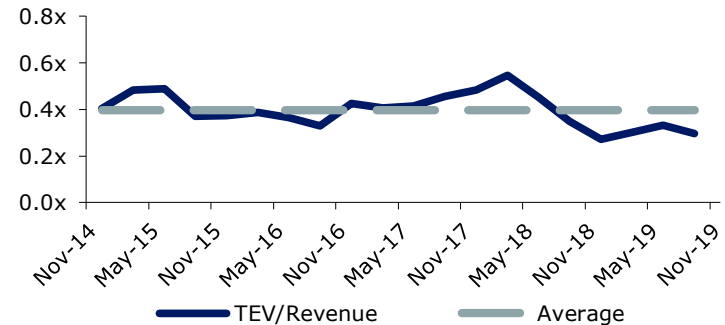
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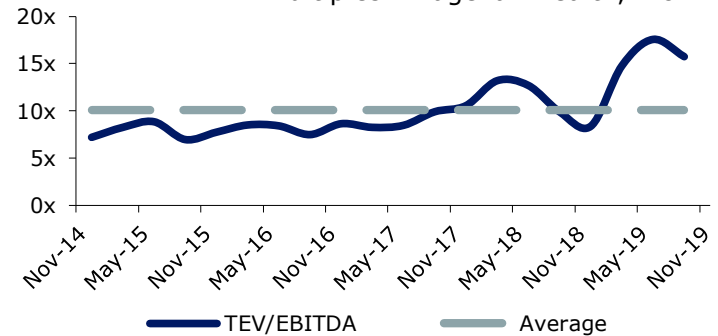
Magellan Health, Inc.

Magellan Health, Inc. provides healthcare management services in the United States. The company operates in Healthcare and Pharmacy Management segments. The Healthcare segment offers carve-out management services for behavioral health; employee assistance plans (EAP); and other areas of specialty healthcare, including diagnostic imaging, musculoskeletal management, cardiac, and physical medicine. It also contracts with state Medicaid agencies, and the centers for Medicare and Medicaid services to manage care for beneficiaries under Medicaid and Medicare programs, such as healthcare and long-term support services through its network of medical and behavioral health professionals, clinics, hospitals, nursing facilities, home care agencies, and ancillary service providers. The Pharmacy Management segment comprises products and solutions that provide clinical and financial management of pharmaceuticals paid under medical and pharmacy benefit programs. It offers pharmacy benefit management services, such as pharmaceutical dispensing services; pharmacy benefit administration for state Medicaid and other government sponsored programs; clinical and formulary management programs; medical pharmacy management programs; and programs for the integrated management of specialty drugs that treat complex conditions. Magellan Health, Inc. was founded in 1969 and is headquartered in Scottsdale, Arizona.

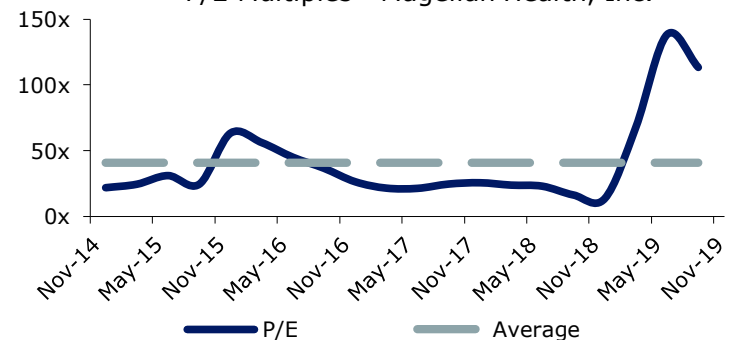
Revenue Multiples - Magellan Health, Inc.



EBITDA Multiples - Magellan Health, Inc.



P/E Multiples - Magellan Health, Inc.



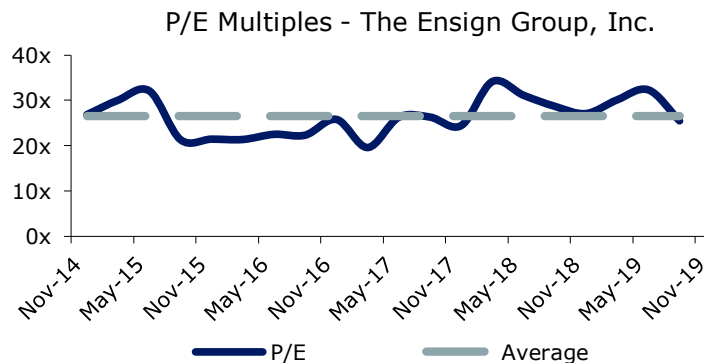
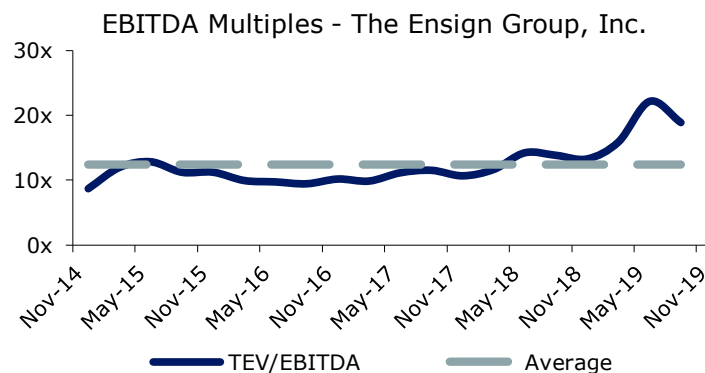
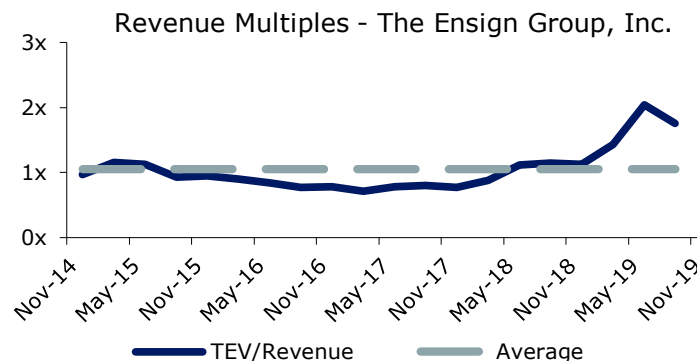
Public Basket



The Ensign Group, Inc.

The Ensign Group, Inc. provides health care services in the post-acute care continuum and other ancillary businesses. The company operates in three segments: Transitional and Skilled Services; Assisted and Independent Living Services; and Home Health and Hospice Services. The Transitional and Skilled Services segment offers a range of medical, nursing, rehabilitative, and pharmacy services, as well as routine services, such as daily dietary, social, and recreational services to Medicaid, private pay, managed care, and Medicare payors. The Assisted and Independent Living Services segment provides residential accommodations, activities, meals, security, housekeeping, and assistance in the activities of daily living to independent seniors. The Ensign Group, Inc. was founded in 1999 and is based in Mission Viejo, California.

Date	Key Development Headline
11/3/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired three skilled nursing operations across Texas.
11/3/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired three skilled nursing operations in San Antonio, Texas.
9/3/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired the Operations of Temple View Transitional Care Center.
8/29/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired Rexburg Care Center in Idaho.
8/12/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired Real Estate and Operations of Surprise Health and Rehabilitation Center.



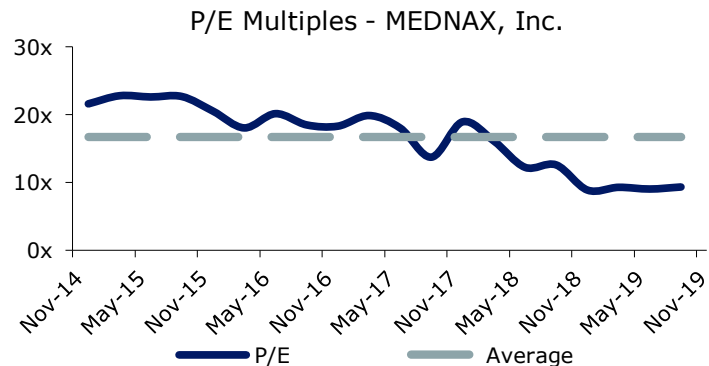
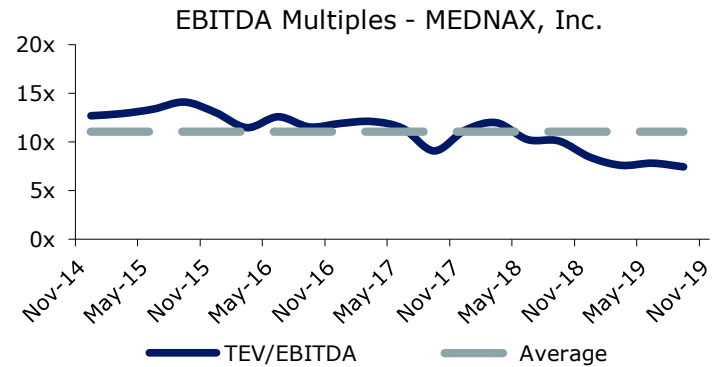
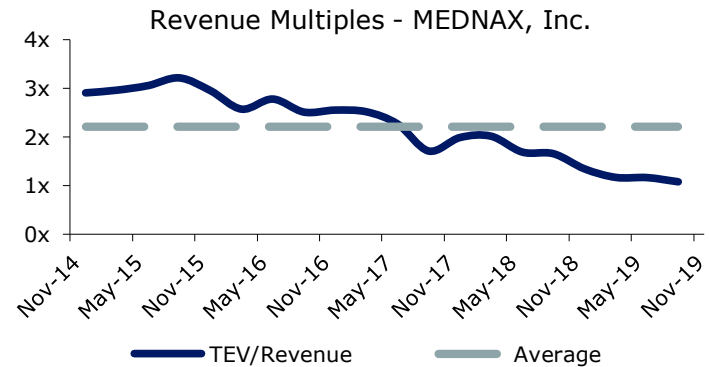
Public Basket



MEDNAX, 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
8/1/19	MEDNAX Intends To Seek Acquisitions
2/7/19	MEDNAX Intends To Seek Acquisitions



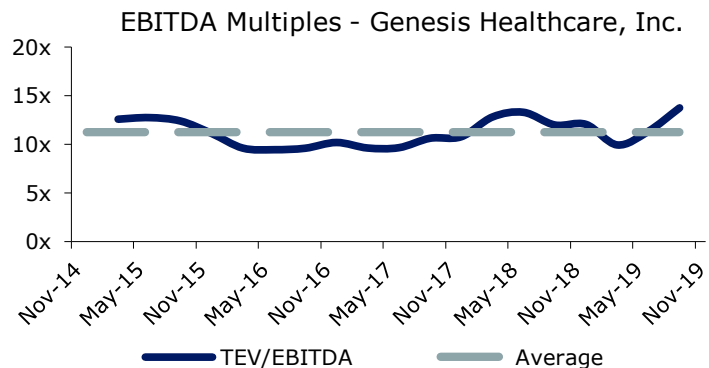
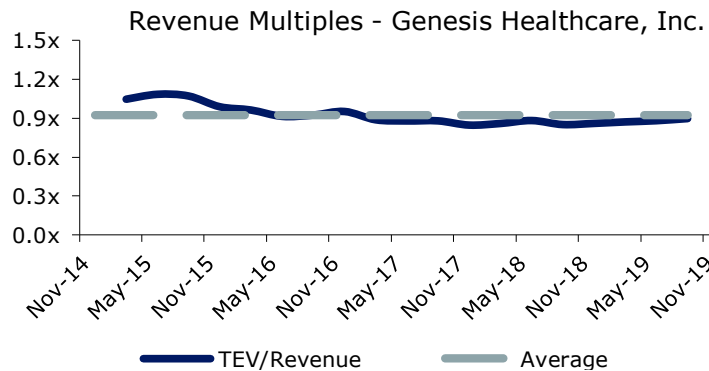
Public Basket



Genesis Healthcare, Inc.

Genesis Healthcare, Inc., together with its subsidiaries, owns and operates skilled nursing facilities and assisted/senior living facilities in the United States. The company operates through three segments: Inpatient Services, Rehabilitation Therapy Services, and All Other Services. It also provides a range of rehabilitation therapy services, including speech-language pathology, physical therapy, occupational therapy, and respiratory therapy. In addition, the company offers other specialty medical services, such as physician, staffing, and other healthcare related services. Genesis HealthCare, Inc. was founded in 2003 and is headquartered in Kennett Square, Pennsylvania.

Date	Key Development Headline
10/15/19	Unknown third parties completed the acquisition Eight Skilled Nursing Facilities of Genesis Healthcare, Inc. (NYSE:GEN) in California.
8/8/19	Unknown third parties agreed to acquire Eight Skilled Nursing Facilities of Genesis Healthcare, Inc. (NYSE:GEN) in California approximately \$89 million.
4/22/19	Riswein Health Industry Investment Co., Ltd. cancelled the acquisition of 51% stake in GRS-HS from Genesis Healthcare, (NYSE:GEN).
2/3/19	Genesis Healthcare, Inc. (NYSE:GEN) and Next Healthcare Capital acquired 15 skilled nursing facilities from Welltower Inc. (NYSE:WELL) for approximately \$200 million.



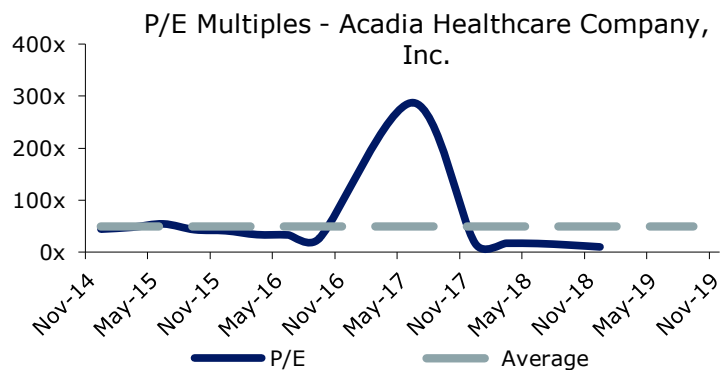
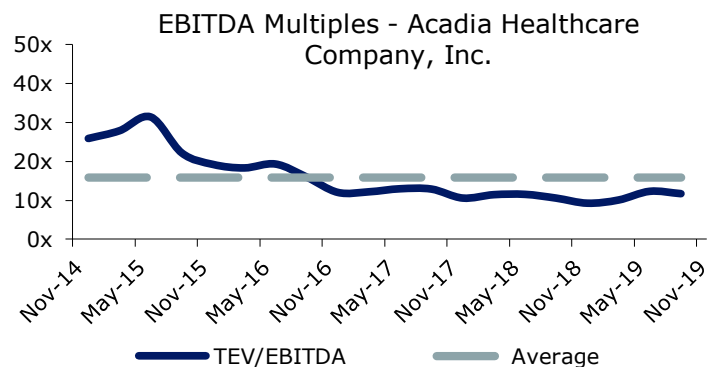
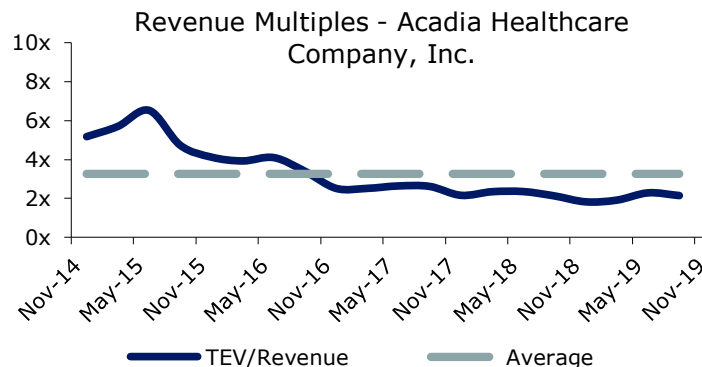
Public Basket



Acadia Healthcare Company, Inc.

Acadia Healthcare Company, Inc. develops and operates inpatient psychiatric facilities, residential treatment centers, group homes, substance abuse facilities, and outpatient behavioral healthcare facilities to serve the behavioral health and recovery needs of communities in the United States, the United Kingdom, and Puerto Rico. The company operates acute inpatient psychiatric facilities, which cares to stabilize patients that are either threat to themselves or others by hourly observation, daily intervention, and monitoring by psychiatrists; and specialty treatment facilities, including residential recovery and eating disorder facilities, and comprehensive treatment centers that provide continuum care for adults with addictive disorders and co-occurring mental disorders. The company was founded in 2005 and is headquartered in Franklin, Tennessee.

Date	Key Development Headline
4/30/19	Acadia Healthcare Company, Inc. (NasdaqGS:ACHC) acquired Bradford Recovery Center for \$4.5 million.
2/14/19	Acadia Healthcare Company, Inc. (NasdaqGS:ACHC) completed the acquisition of Mission Treatment Services, Inc.
2/14/19	Acadia Healthcare Company, Inc. (NasdaqGS:ACHC) completed the acquisition of Whittier Health Services, Inc. from Whittier Health Network.
11/4/18	Acadia Healthcare Company, Inc. (NasdaqGS:ACHC) signed a definitive agreement to acquire Mission Treatment Services, Inc. for \$22.5 million.



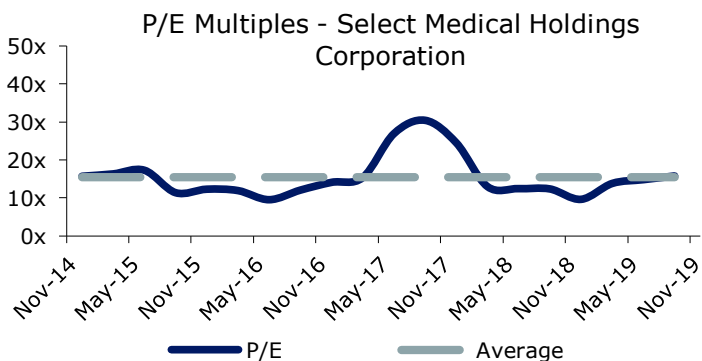
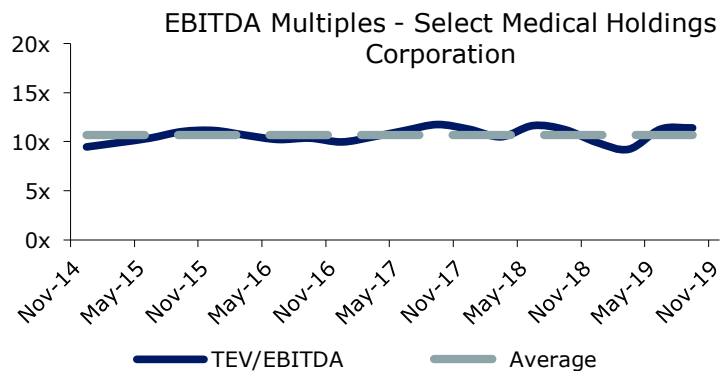
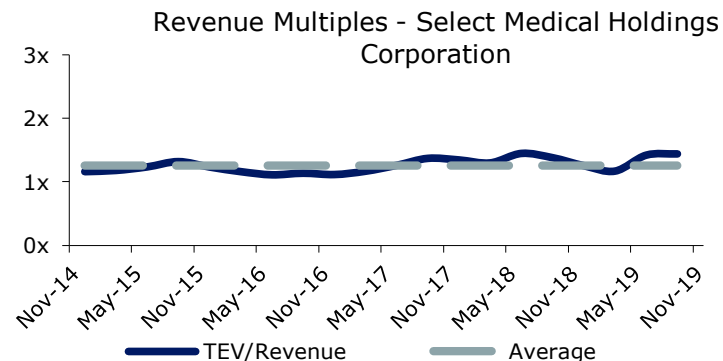
Public Basket



Select Medical Holdings Corporation

Select Medical Holdings Corporation, through its subsidiary, Select Medical Corporation, operates critical illness recovery hospitals, rehabilitation hospitals, outpatient rehabilitation clinics, and occupational health centers in the United States. It operates through four segments: Critical Illness Recovery Hospital, Rehabilitation Hospital, Outpatient Rehabilitation, and Concentra. The Critical Illness Recovery Hospital segment consists of hospitals that provide services for heart failure, infectious disease, respiratory failure and pulmonary disease, surgery requiring recovery, renal disease, neurological events, and trauma. The Rehabilitation Hospital segment offers therapy and rehabilitation treatments, including rehabilitative services for brain and spinal cord injuries, strokes, amputations, neurological disorders, orthopedic conditions, pediatric congenital or acquired disabilities, and cancer. Select Medical Holdings Corporation was founded in 1996 and is headquartered in Mechanicsburg, Pennsylvania.

Date	Key Development Headline
8/1/19	Select Medical Holdings Corporation (NYSE:SEM) acquired 3 new critical illness recovery hospitals in Florida.
5/1/19	Select Medical Forms Joint Venture with Norton Healthcare
10/17/18	Select Medical Holdings Corporation, UC San Diego Health and Vibra Healthcare LLC Form Two Post-Acute Joint Ventures to Serve Southern California



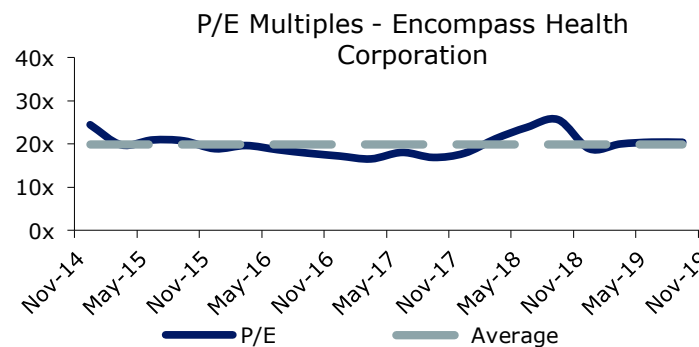
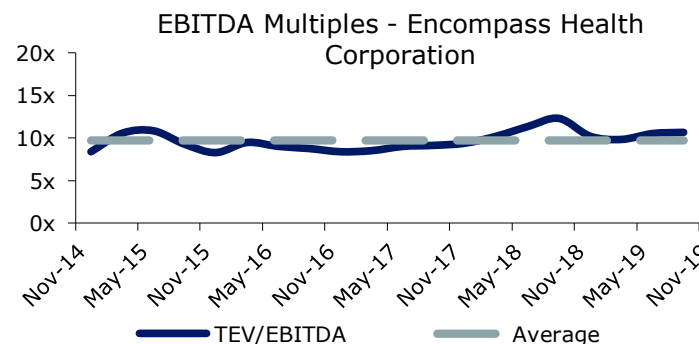
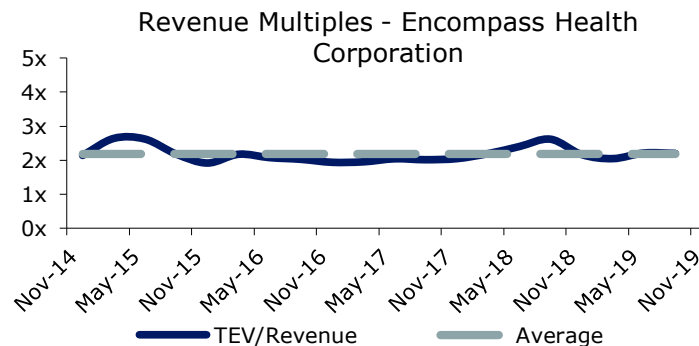
Public Basket



Encompass Health Corporation

Encompass Health Corporation provides facility-based and home-based post-acute healthcare services in the United States. The company operates through two segments, Inpatient Rehabilitation, and Home Health and Hospice. The Inpatient Rehabilitation segment provides specialized rehabilitative treatment on an inpatient and outpatient basis to patients who are recovering from conditions, such as stroke and other neurological disorders, cardiac and pulmonary conditions, brain and spinal cord injuries, complex orthopedic conditions, and amputations. The Home Health and Hospice segment provides home health and hospice services primarily in the Southeast and Texas. Encompass Health Corporation was founded in 1983 and is based in Birmingham, Alabama.

Date	Key Development Headline
6/30/19	Encompass Health Corporation (NYSE:EHC) completed the acquisition of substantially all assets of Alacare Home Health & Hospice.
4/26/19	Encompass Health Intends To Seek Acquisitions
3/31/19	Encompass Health Corporation (NYSE:EHC) entered into a definitive agreement to acquire substantially all assets of Alacare Home Health & Hospice for approximately \$220 million.
10/30/18	Encompass Seeks Acquisitions



Public Basket

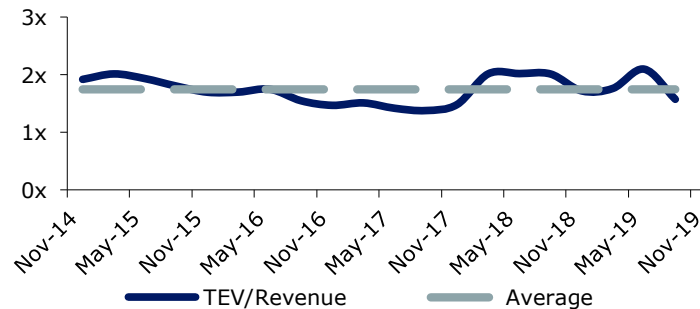


DaVita Inc.

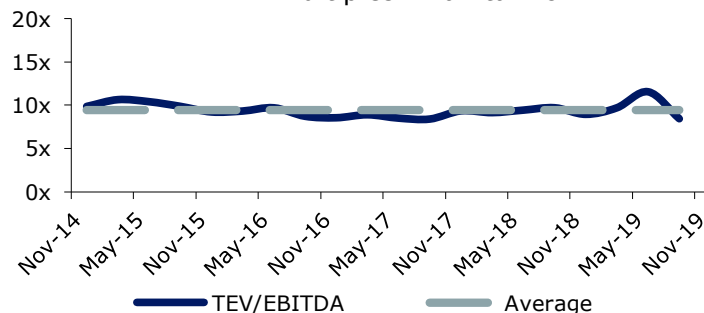
DaVita Inc. provides kidney dialysis services for patients suffering from chronic kidney failure or end stage renal disease (ESRD). The company operates kidney dialysis centers and provides related lab services in outpatient dialysis centers. It also provides outpatient, hospital inpatient, and home-based hemodialysis services; owns clinical laboratories that provide routine laboratory tests for dialysis and other physician-prescribed laboratory tests for ESRD patients; and management and administrative services to outpatient dialysis centers. As of December 31, 2018, it provided dialysis and administrative services in the United States through a network of 2,664 outpatient dialysis centers serving approximately 202,700 patients; and operated 241 outpatient dialysis centers located in 9 countries outside of the United States serving approximately 25,000 patients. DaVita Inc. was founded in 1994 and is headquartered in Denver, Colorado.

Date	Key Development Headline
7/29/19	Walgreens Boots Alliance, Inc. (NasdaqGS:WBA) cancelled the acquisition of pharmacy-related operations in Orlando, California and Texas from DaVita Inc. (NYSE:DVA).
7/22/19	DaVita Intends To Seek Acquisitions
6/18/19	Collaborative Care Holdings, LLC completed the acquisition of DaVita Medical Holdings, LLC from DaVita Inc. (NYSE:DVA).
11/4/18	NephroPlus acquired DaVita Care (India) Pvt. Ltd. from DaVita Inc. (NYSE:DVA) and others.

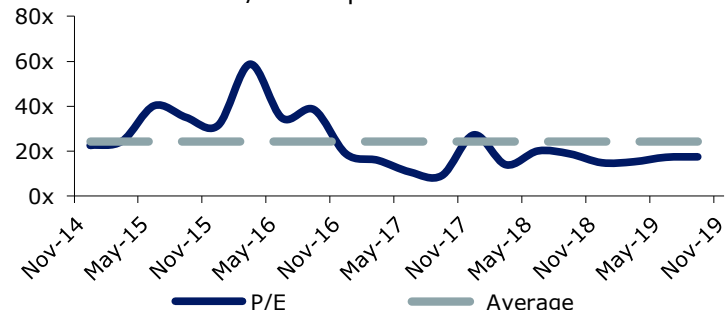
Revenue Multiples - DaVita Inc.



EBITDA Multiples - DaVita Inc.



P/E Multiples - DaVita Inc.



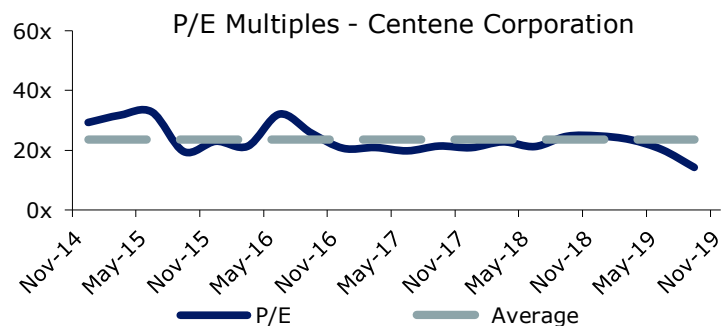
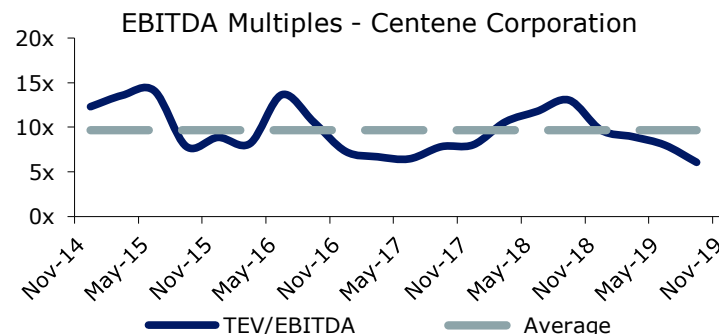
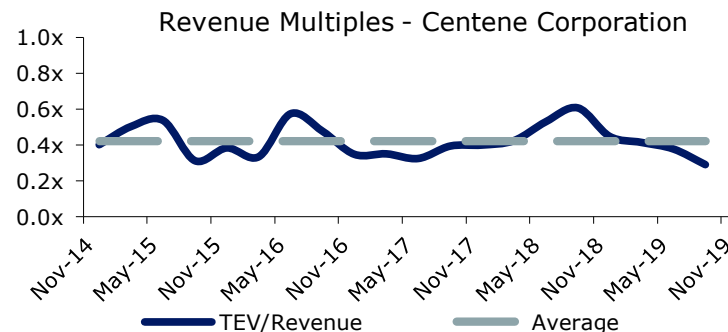
Public Basket



Centene Corporation

Centene Corporation operates as a diversified and multi-national healthcare enterprise that provides programs and services to under-insured and uninsured individuals in the United States. The company's Managed Care segment offers health plan coverage to individuals through government subsidized programs, including Medicaid, the State children's health insurance program, long-term services and support, foster care, and medicare-medicoid plans, which covers dually eligible individuals, as well as aged, blind, or disabled programs. Centene Corporation was founded in 1984 and is headquartered in St. Louis, Missouri.

Date	Key Development Headline
10/17/19	Centene Corporation, Walgreens and RxAdvance Announce Partnership to Provide Innovative Pharmacy Management Model
4/8/19	Centene Corporation and Washington University School of Medicine Collaborates to Advance Personalised Medicine Research
4/1/19	Centene Corporation (NYSE:CNC) completed the acquisition of QualChoice Holdings, Inc. from Catholic Health Initiatives.
3/27/19	Centene Corporation, WellCare Health Plans, Inc. - M&A Call
3/26/19	Centene Corporation (NYSE:CNC) signed a definitive merger agreement to acquire WellCare Health Plans, Inc. (NYSE:WCG) for \$15.6 billion.



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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