



# Sectorwatch: Healthcare - Primary Care

March 2020

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# Overview

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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

↑0.2%

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

↑0.3%

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

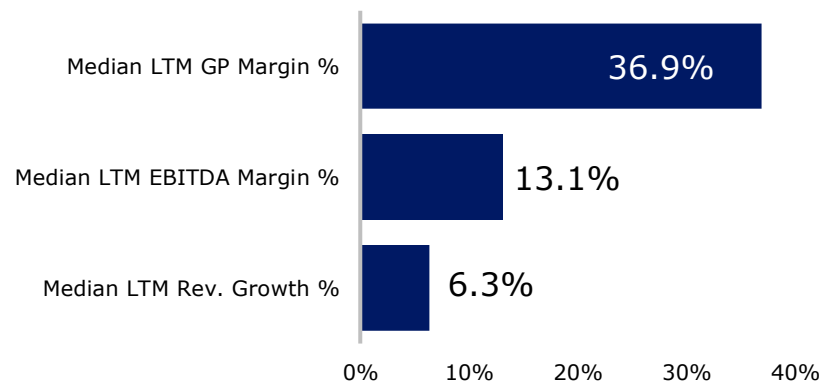
## Profitability Momentum

↑1.3%

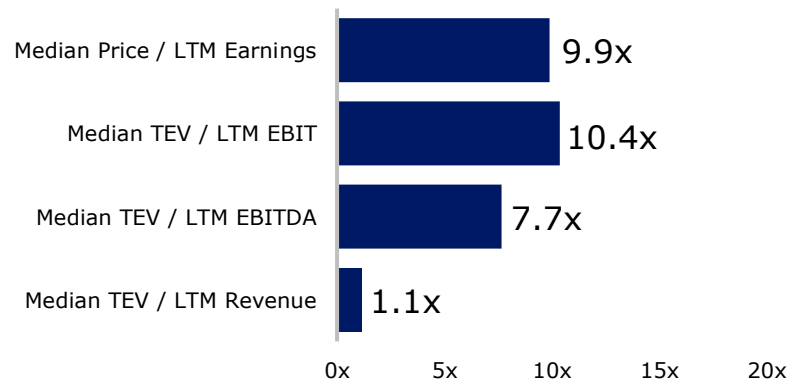
1 - year EBITDA % compared to EBITDA % average for last 3 years

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



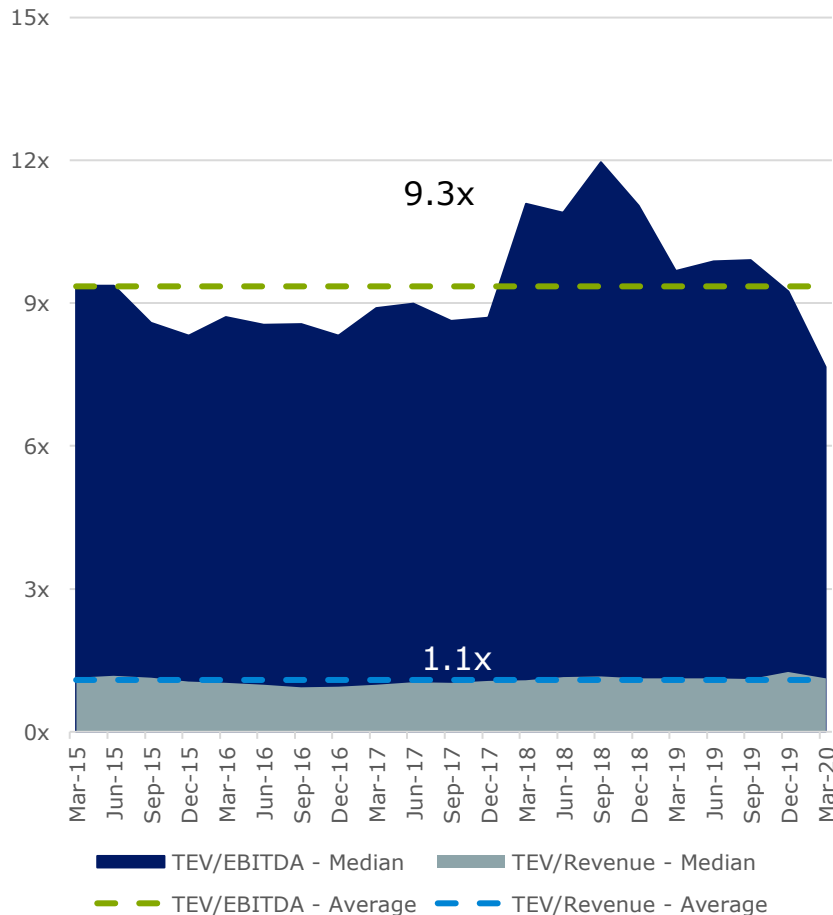
# Public Basket



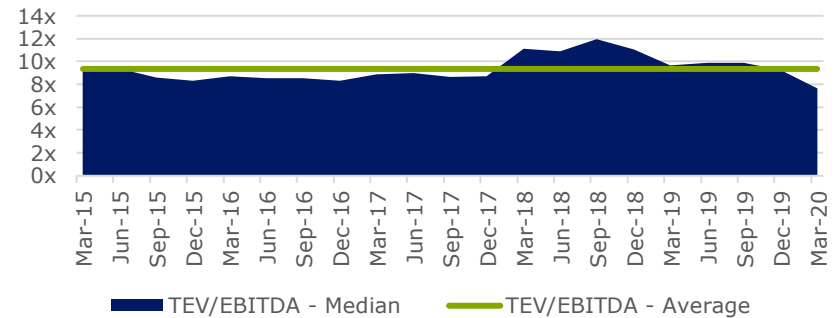
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Community Health Systems, Inc.	14,774	13,210	-7%	39%	11%	1.1	8.6	63,000	210
Universal Health Services, Inc.	12,922	11,378	6%	40%	16%	1.1	6.8	67,700	168
Tenet Healthcare Corporation	19,368	18,479	1%	36%	16%	1.0	5.7	88,608	209
HCA Healthcare, Inc.	67,464	51,336	10%	38%	19%	1.3	6.3	210,000	244
Anthem, Inc.	73,384	104,212	13%	22%	7%	0.7	9.8	70,600	1,476
UnitedHealth Group Incorporated	274,753	242,155	7%	24%	9%	1.1	12.1	325,000	745
<b>Average</b>	77,111	73,462	5%	33%	13%	1.1	8.2	137,485	509
<b>Median</b>	43,416	34,908	6%	37%	13%	1.1	7.7	79,604	227

share price as of 31Mar20

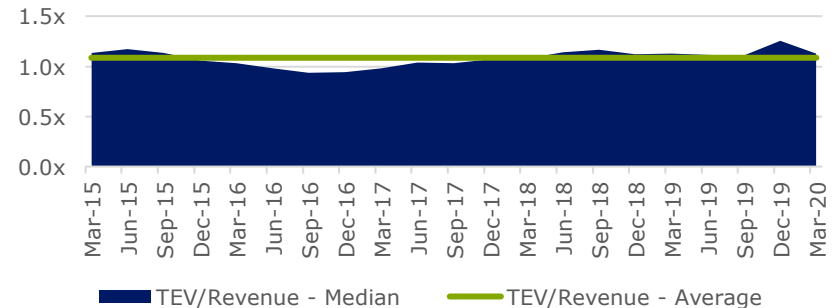
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



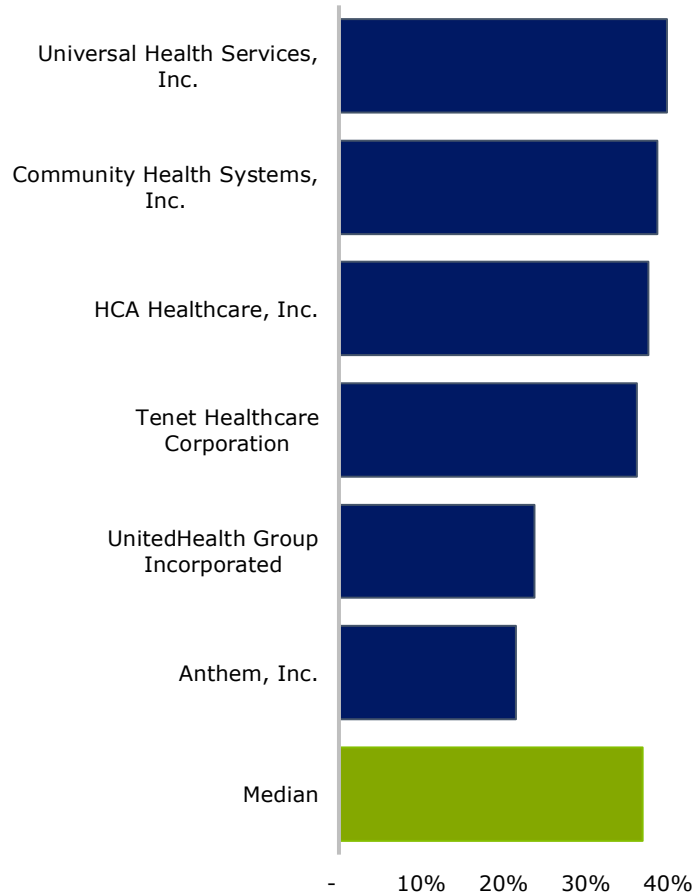
## Public Revenue Multiples over Time



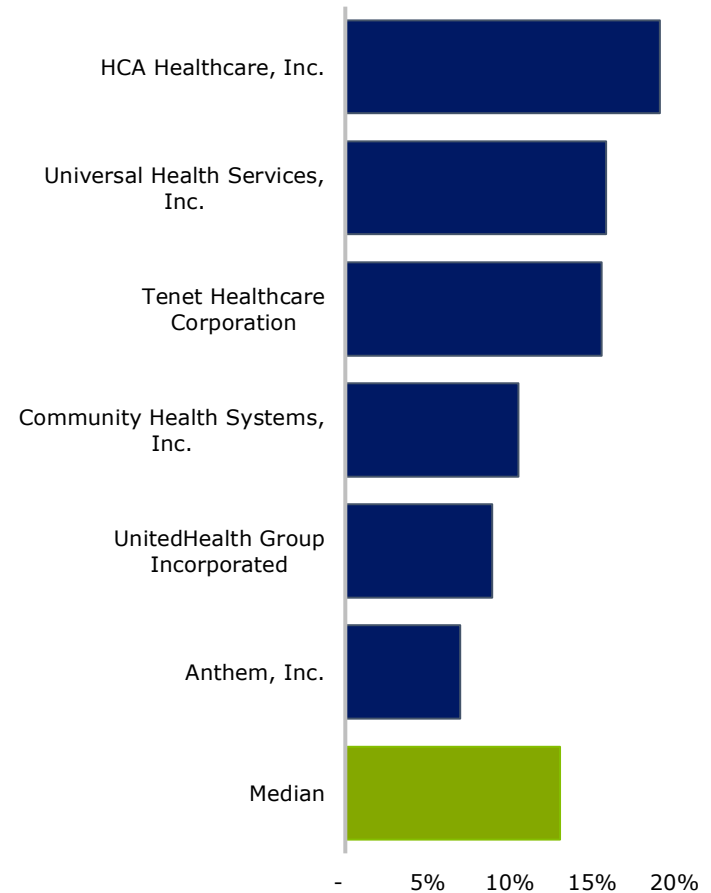
# Operational Metrics



## LTM Gross Profit Margin %



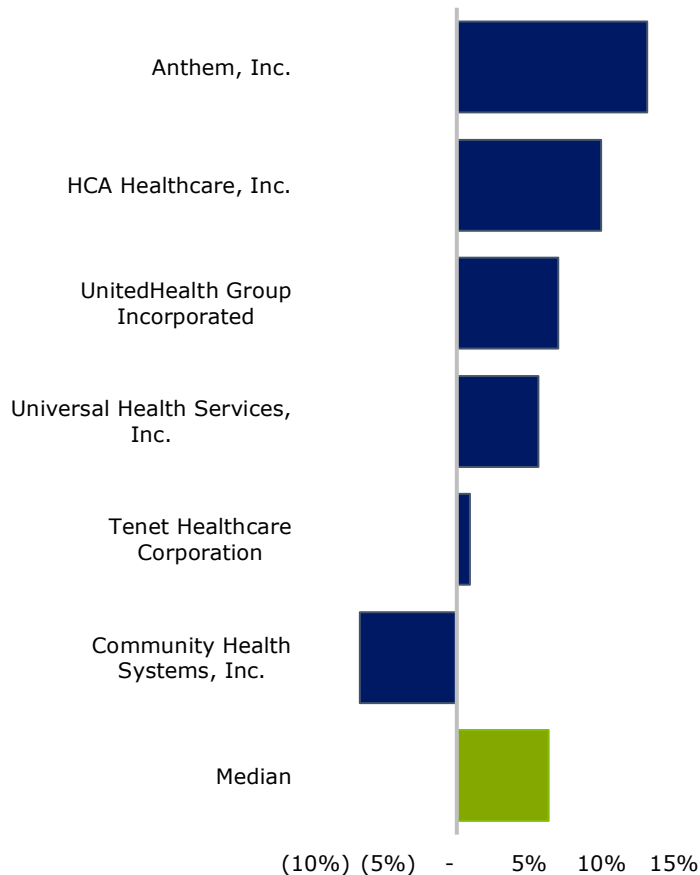
## LTM EBITDA %



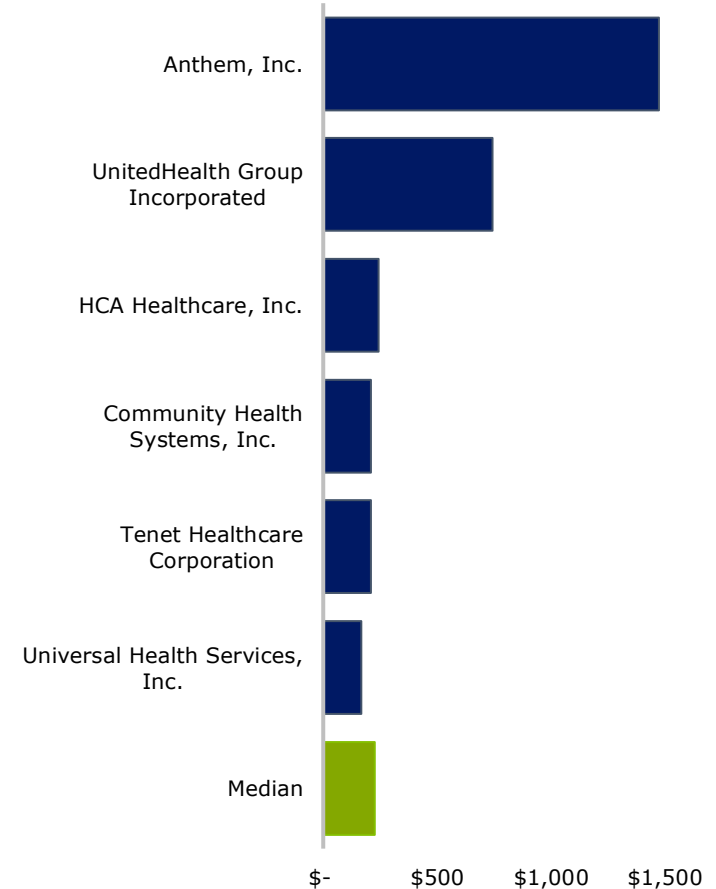
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

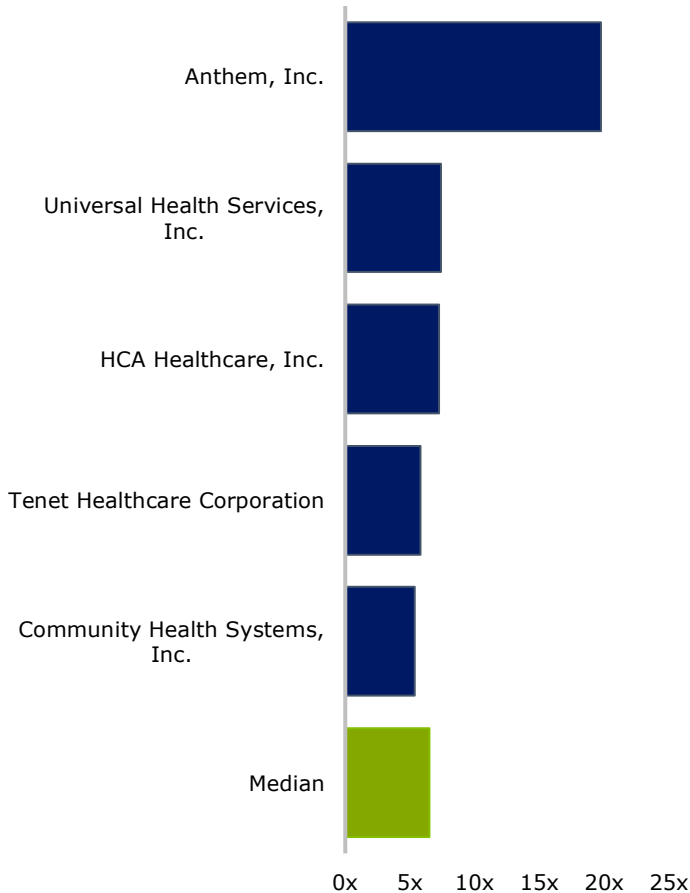




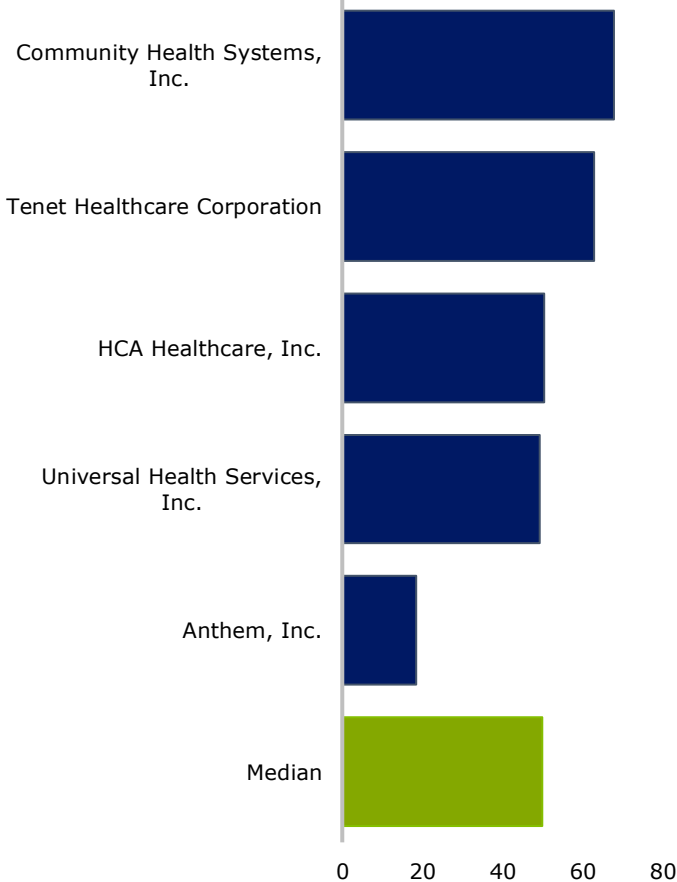
# Operational Metrics



Accounts Receivable Turnover



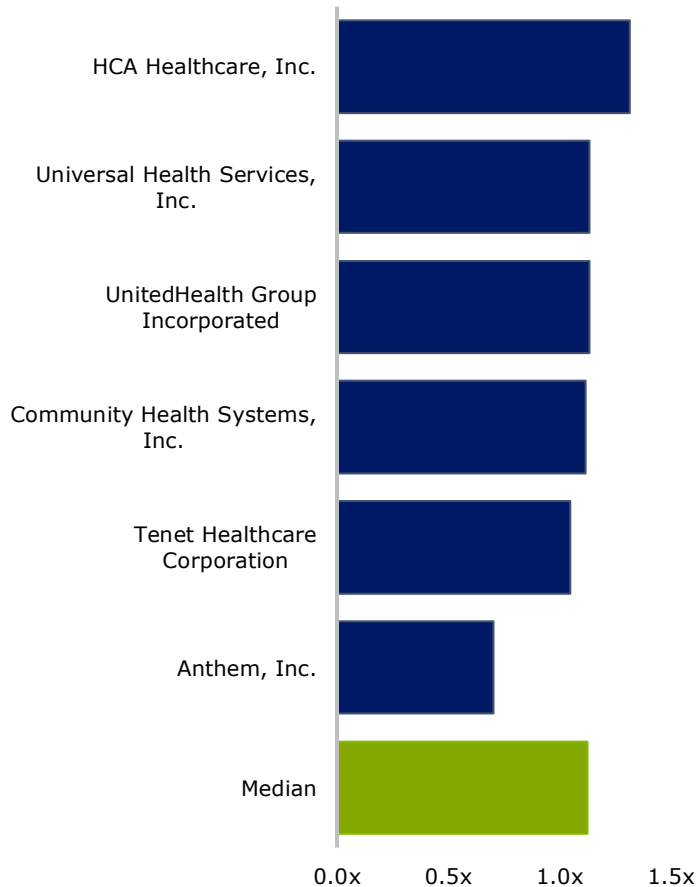
Average Days Sales Outstanding



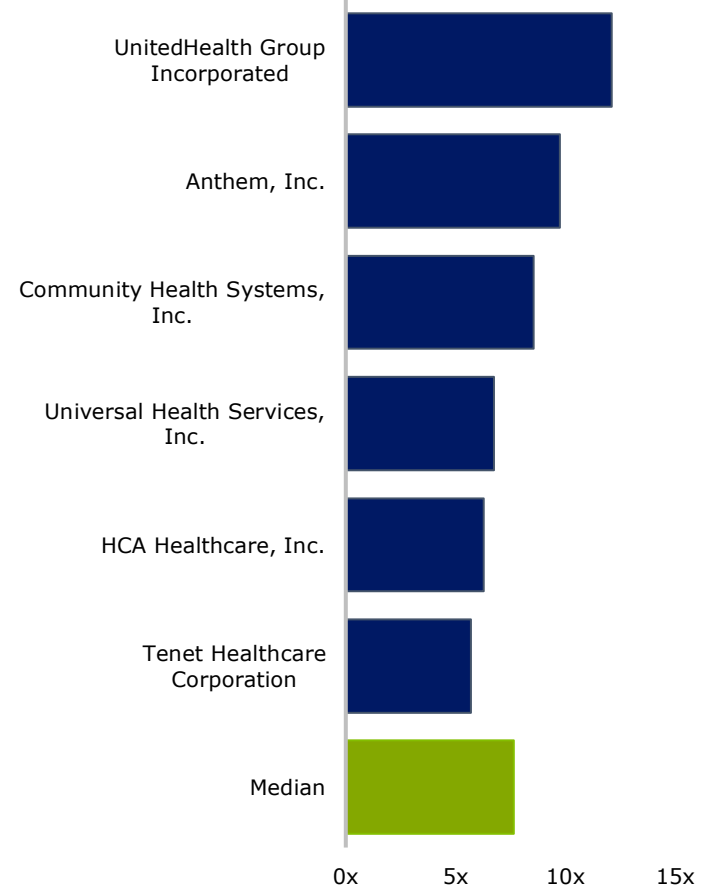
# Valuation



## TEV / LTM Revenue



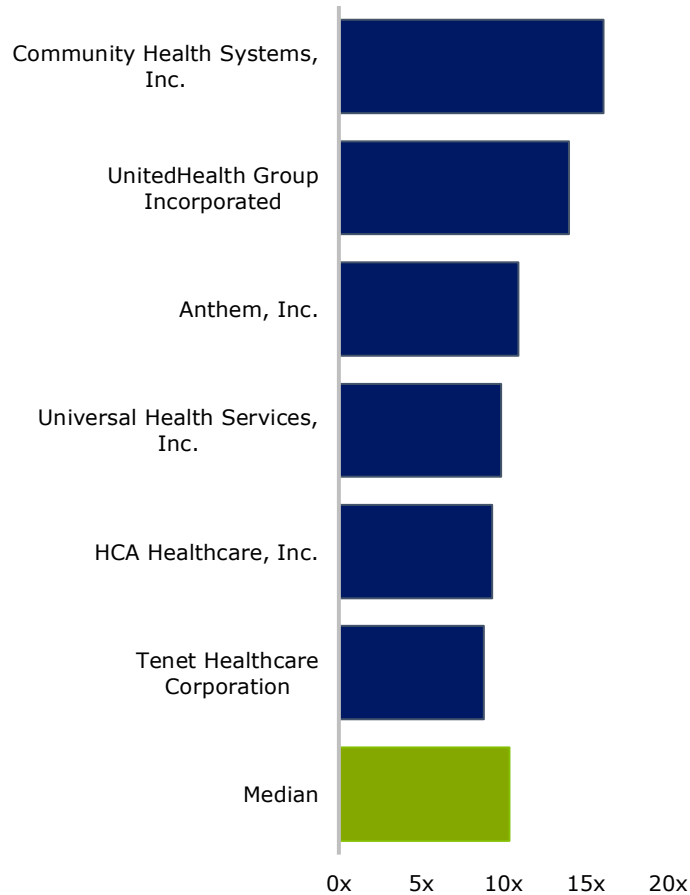
## TEV / LTM EBITDA



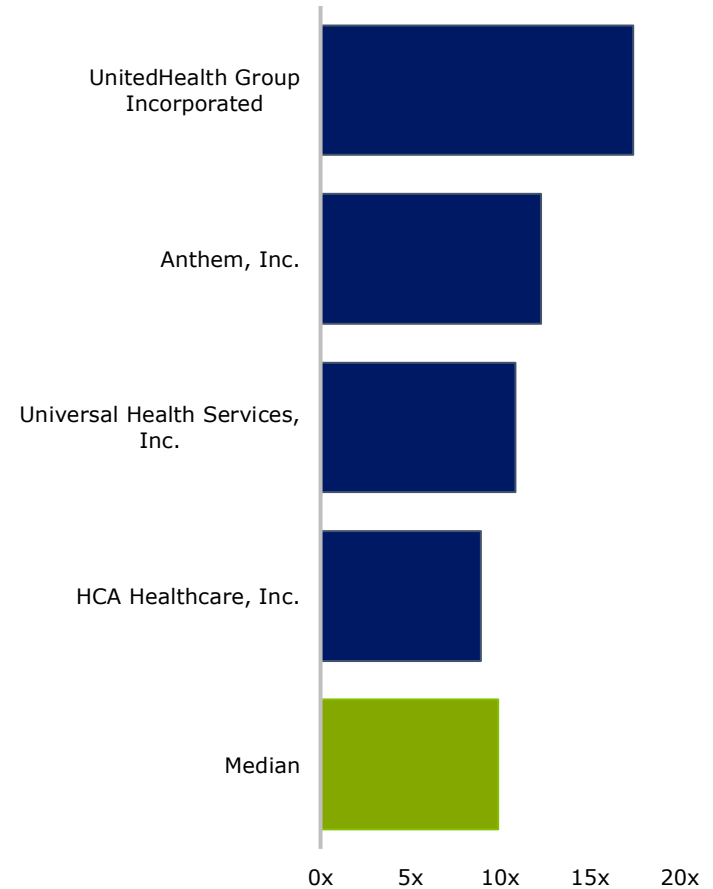
# Valuation



## TEV / LTM EBIT



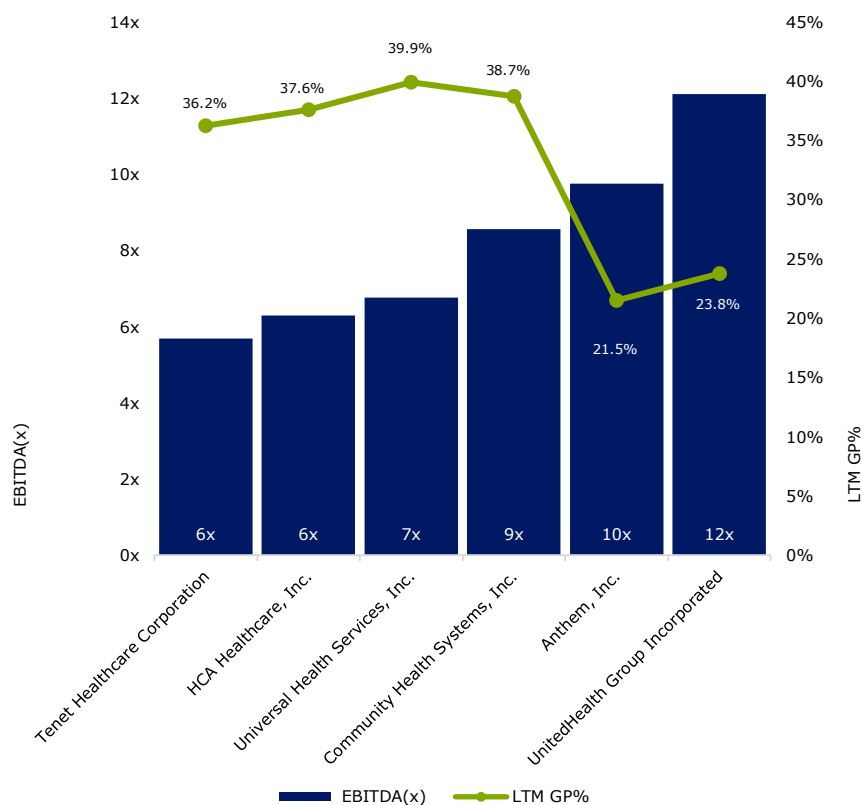
## Price / LTM Earnings



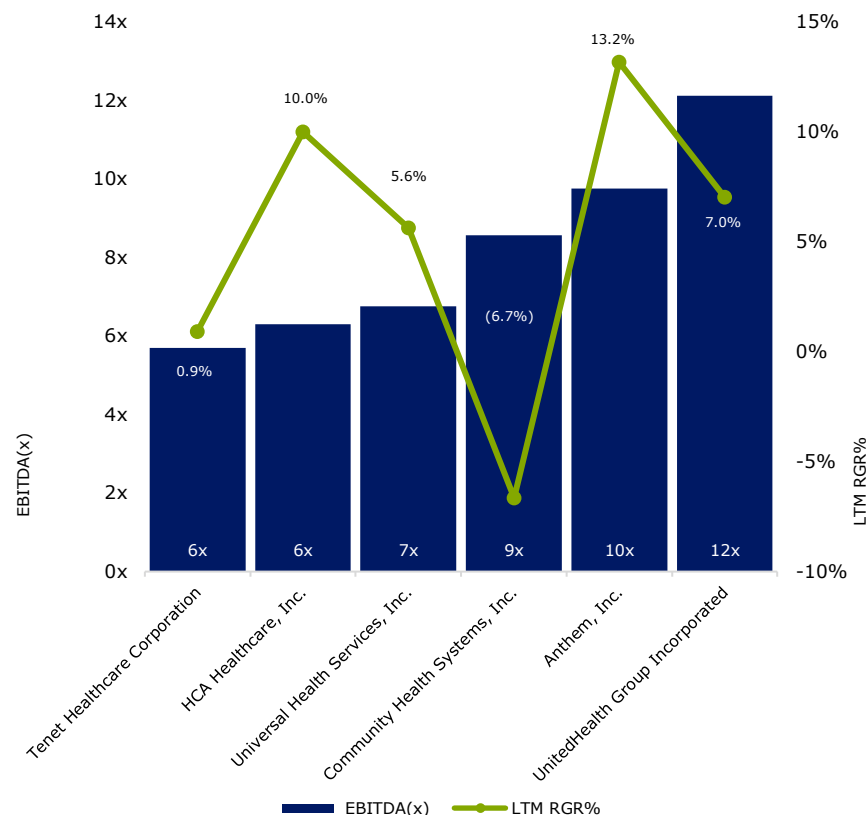
# Valuation



## 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
9Mar20	20 Health Centers	Healthstat, Inc.	-	-	-	-
2Mar20	Nine Maryland Urgent Care Sites from ChoiceOne	University Of Maryland Medical System	-	-	-	-
2Mar20	ChoiceOne Urgent Care, LLC	Northside Hospital, Inc.	-	-	-	-
2Mar20	Conroe Family Medicine	Kelsey-Seybold Clinic	-	-	-	-
2Mar20	5 Independent Physician Practices	Advocare, LLC	-	-	-	-
1Mar20	Seven Hills Ob-Gyn Associates, Inc.	Axia Women's Health	-	-	-	-
14Feb20	Pembroke Family Medicine	Oak Orchard Community Health Center, Inc.	-	-	-	-
13Feb20	Irvine Family Practice Medical Group, Inc.	Memorial Health Services (nka:MemorialCare Medical Group)	-	-	-	-
12Feb20	Hudson Valley Community Services	Cornerstone Family Healthcare	-	-	-	-
10Feb20	18 clinics in the New England	American Family Care, Inc.	-	-	-	-
3Feb20	Central Texas Medical Center Inc.	CHRISTUS Santa Rosa Health Care Corporation	-	-	-	-
1Feb20	Micro Hospitals of Tandem Hospital Partners LLC	St. Vincent	-	-	-	-
31Jan20	12 entry fee CCRCs with 5,641 units (nka:13 CCRCs)	HCP, Inc. (nka:Healthpeak Properties, Inc.)	541.00	-	-	-
30Jan20	Summit Medical Group of Arizona	VillageMD	-	-	-	-
28Jan20	New England Urgent Care, LLC	PhysicianOne Urgent Care	-	-	-	-
28Jan20	Six Health Care Facilities in United States of Novant Health	Holston Medical Group, PC	-	-	-	-
23Jan20	Primary Care Physicians, LLC	Cano Health, LLC	-	-	-	-
15Jan20	Wellness for Life	Proactive MD	-	-	-	-
13Jan20	Austin Complete Health	Forum Health LLC	-	-	-	-
13Jan20	Uniontown Hospital Inc	West Virginia United Health System, Inc.	-	-	-	-
11Jan20	UnityPoint Clinic Family Medicine - Clarke County	Clarke County Hospital	-	-	-	-
7Jan20	The Healthcare Center at Patriot Heights in San Antonio, Texas	The Ensign Group, Inc.	-	-	-	-
6Jan20	Apple Valley Medical Clinic, Ltd.	Allina Health System, Inc.	-	-	-	-
11Dec19	Ormond Medical Arts, LLC	Pharos Capital Group, LLC	-	-	-	-
4Dec19	Renville County Hospital and Clinics	HealthPartners, Inc.	-	-	-	-
13Nov19	WVP Medical Group, LLC	Salem Health	-	-	-	-
11Nov19	Birmingham Internal Medicine Associates, P.C.	Complete Health, Inc.	-	-	-	-
5Nov19	Floyd Healthcare Management, Inc.	Atrium Health	-	-	-	-

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## APPENDIX: Public Basket Constituents

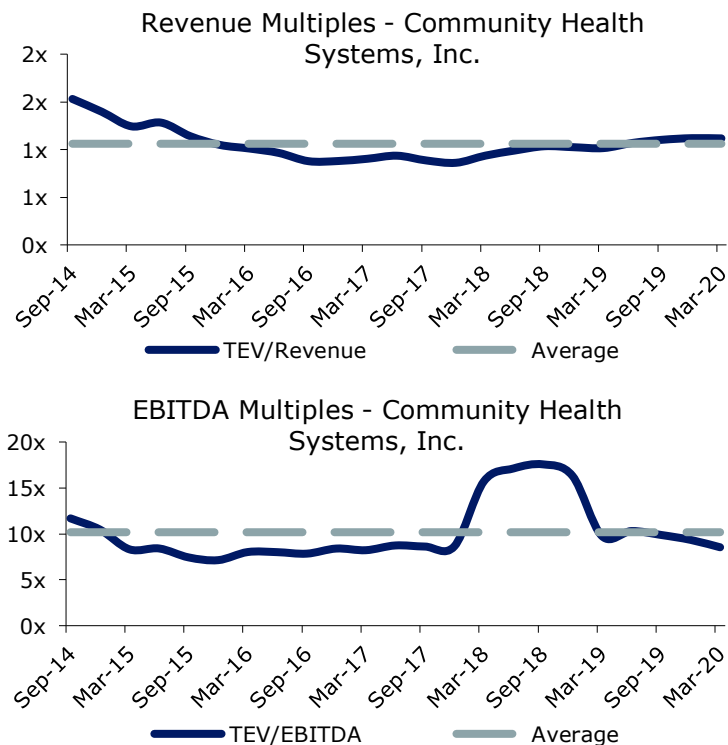
# Public Basket



## 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
3/18/20	Allegiance Health Management, Inc. agreed to acquire Ruston Louisiana Hospital Company, LLC from Community Health Systems, Inc. (NYSE:CYH).
12/30/19	Bon Secours Mercy Health completed the acquisition of Petersburg Hospital Company, LLC, Franklin Hospital Corporation and Emporia Hospital Corporation from Community Health Systems, Inc. (NYSE:CYH).
10/27/19	Bon Secours Mercy Health signed a definitive agreement to acquire Petersburg Hospital Company, LLC, Franklin Hospital Corporation and Emporia Hospital Corporation from Community Health Systems, Inc. (NYSE:CYH) for approximately \$100 million.
9/29/19	Princeton Community Hospital, Inc. completed the acquisition of Bluefield Hospital Company, LLC from Community Health Systems, Inc. (NYSE:CYH).



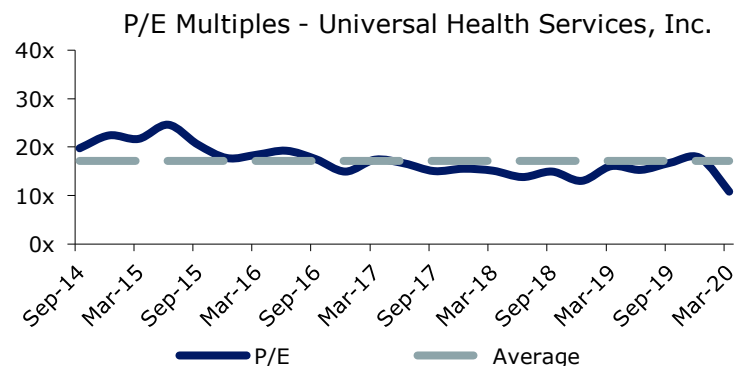
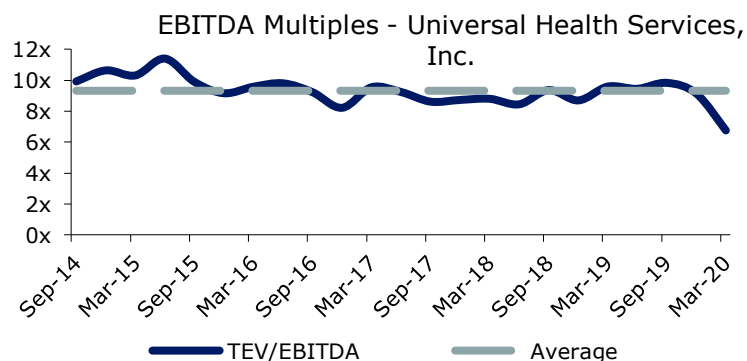
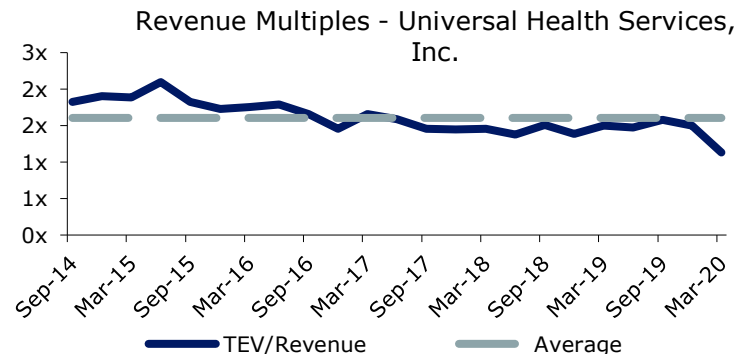
# Public Basket



## 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
12/16/19	Beaumont Health, Universal Health Services Break Ground on New Mental Health Hospital
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





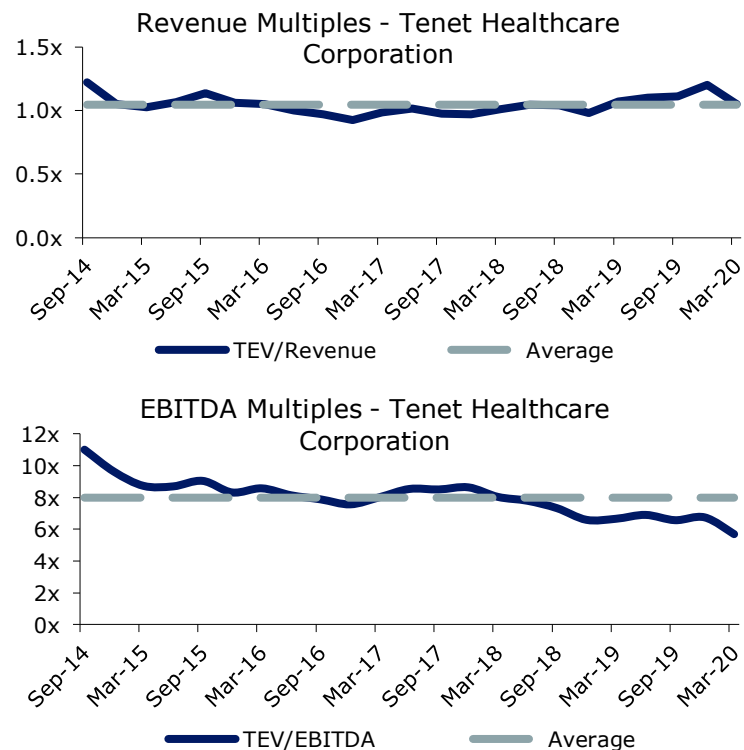
# Public Basket



## 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
12/12/19	Methodist Le Bonheur Healthcare, Inc. entered into a definitive agreement to acquire Saint Francis Hospital-Bartlett, Inc. and Saint Francis Hospital-Memphis, Inc. from Tenet Healthcare Corporation (NYSE:THC) for \$350 million.
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.



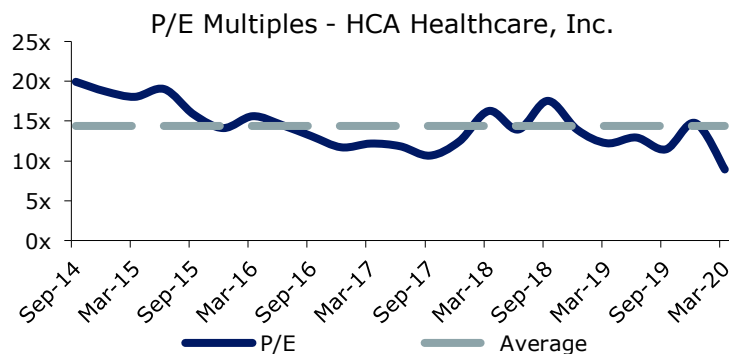
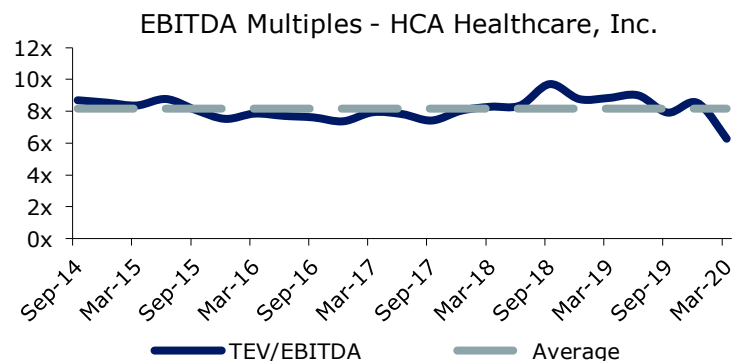
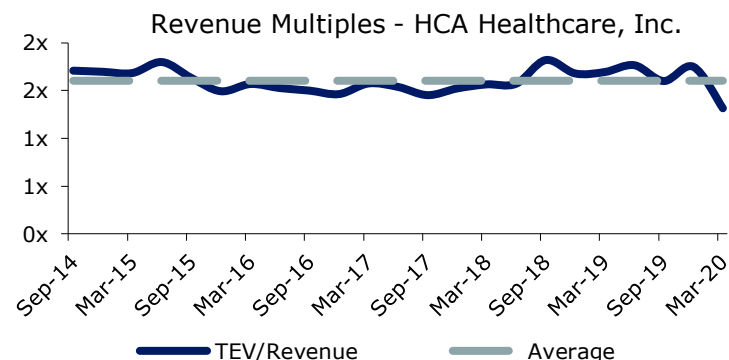
# Public Basket



## 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
1/9/20	HCA Healthcare, Inc. (NYSE:HCA) acquired Valify, Inc.
1/6/20	HCA Healthcare, Inc. (NYSE:HCA) completed the acquisition of a majority stake in Galen College of Nursing.
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).



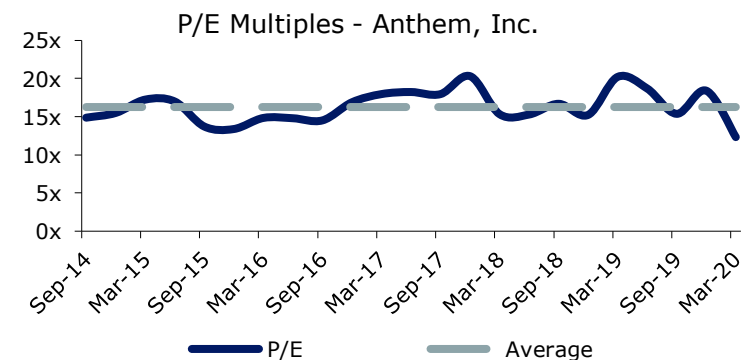
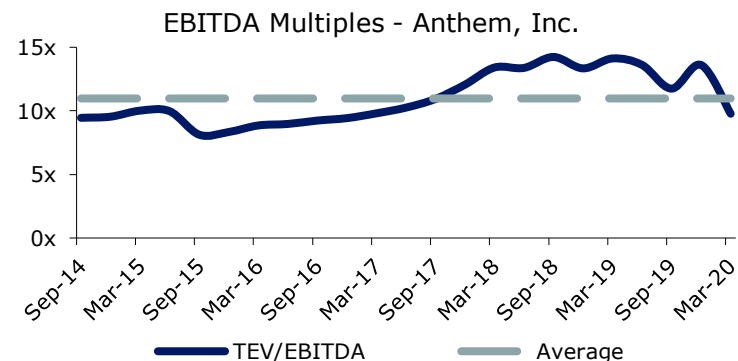
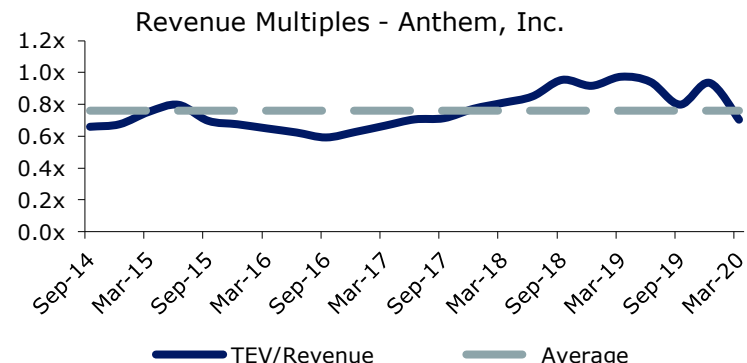
# Public Basket



## 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
3/1/20	Anthem, Inc. (NYSE:ANTM) completed the acquisition of Beacon Health Options from Bain Capital Private Equity, LP and Diamond Castle Holdings, LLC.
1/22/20	Anthem, Inc. (NYSE:ANTM) completed the acquisition of Missouri and Nebraska Medicaid plans from WellCare Health Plans, Inc. (NYSE:WCG).
9/25/19	Anthem, Inc. (NYSE:ANTM) entered into an agreement to acquire Missouri and Nebraska Medicaid plans from WellCare Health Plans, Inc. (NYSE:WCG).



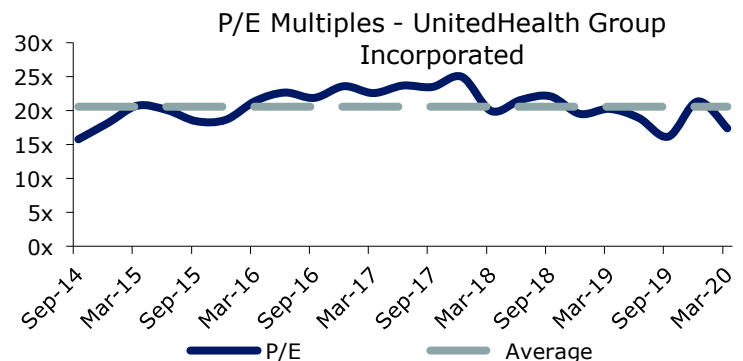
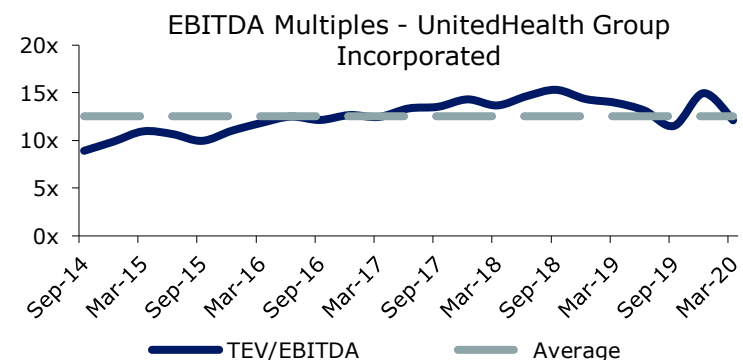
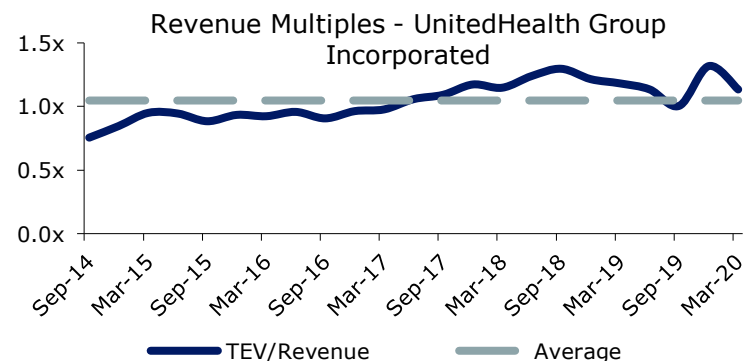
# Public Basket



## 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
11/4/19	UnitedHealth Group Incorporated (NYSE:UNH) acquired HealthSCOPE Benefits, Inc from ABRY Partners, LLC.
7/24/19	UnitedHealth To Seek Acquisitions
6/23/19	UnitedHealth Group Incorporated (NYSE:UNH) acquired PatientsLikeMe Inc. from iCarbonx and others.



# 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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