

7 Mile Advisors



Sectorwatch: Healthcare - Specialty

Q2 2020



Healthcare - Specialty 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.

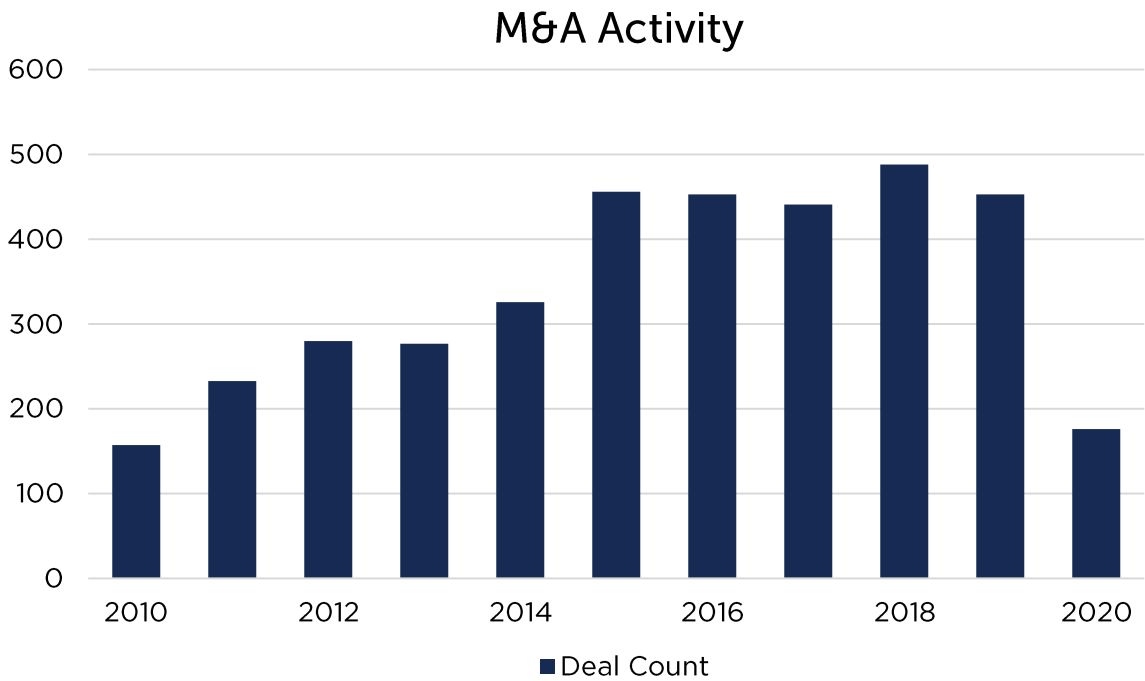
RECENT DEALS

- The most recently announced deals in the sector

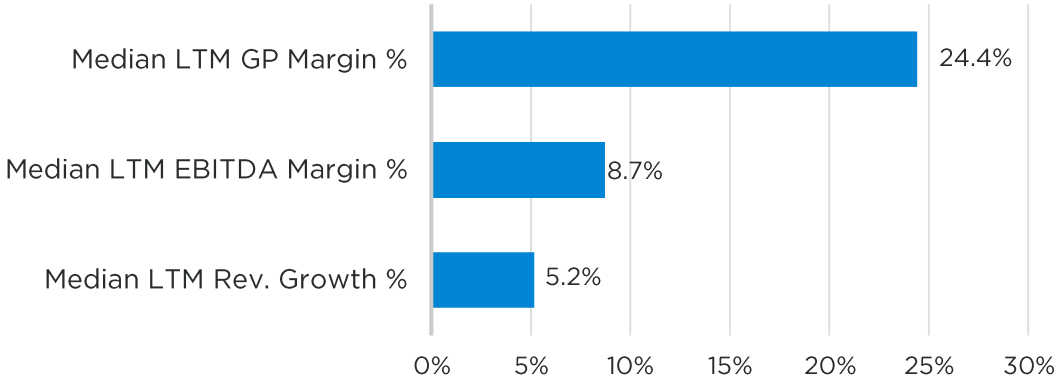
Dashboard

REVENUE GROWTH MOMENTUM ↓ -2.1%

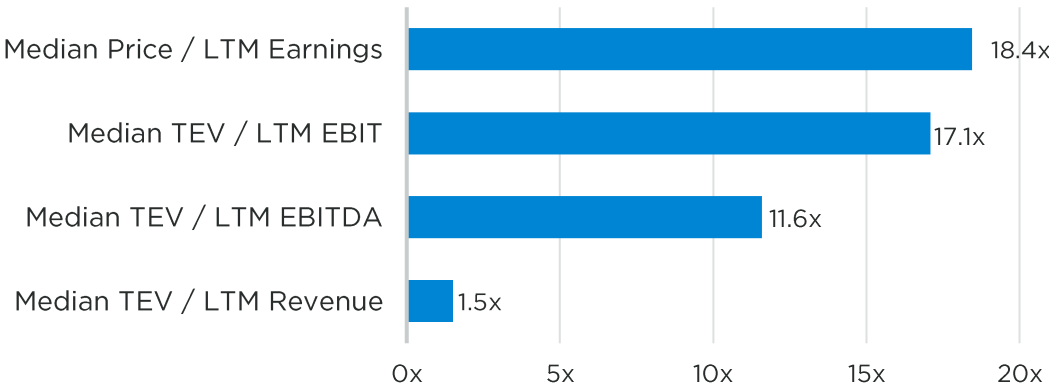
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining



Operating Metrics



Valuation

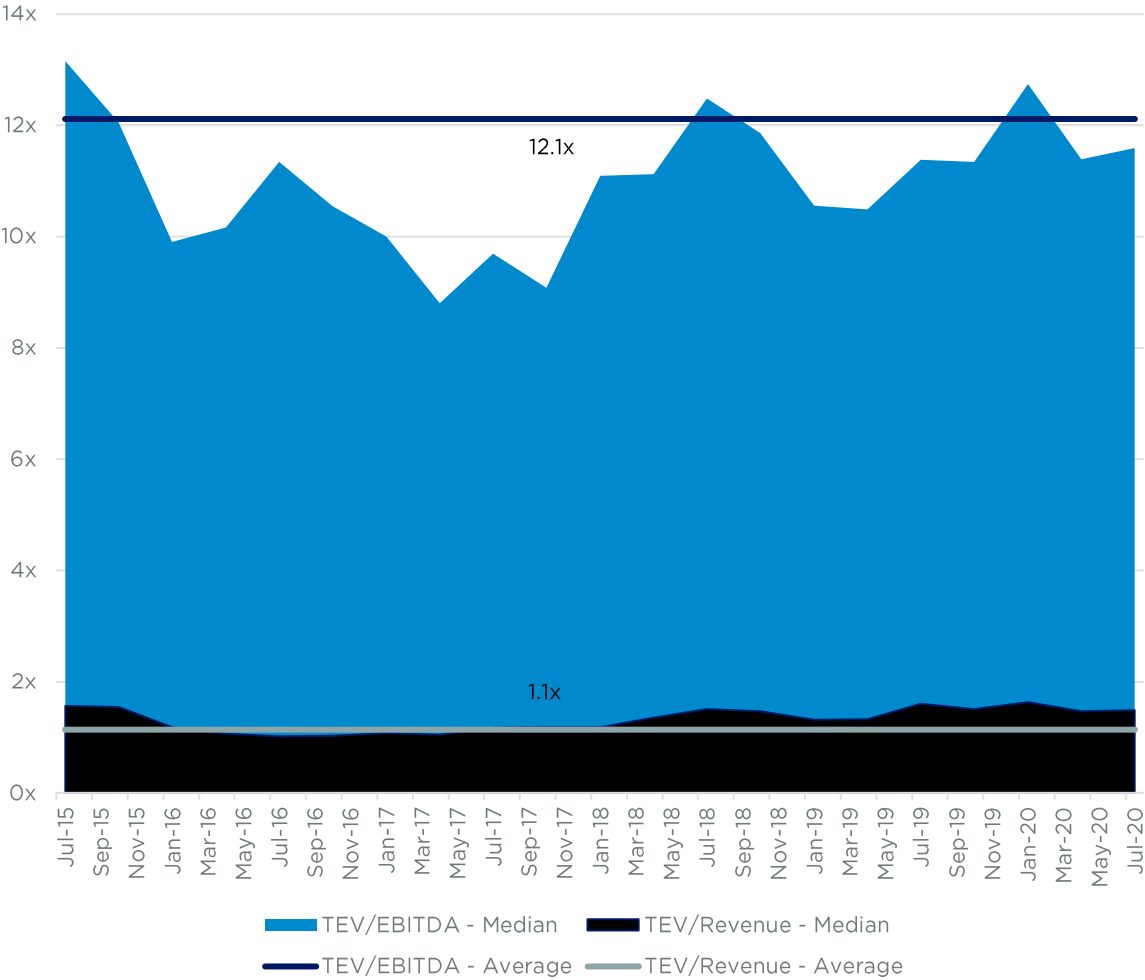


Public Basket

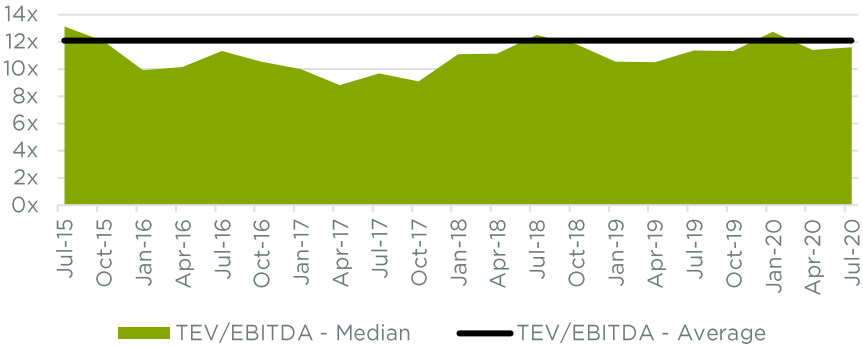
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Addus HomeCare	1,233	37	598	22.0%	27.0%	6.2%	2.1x	32.9x	33,153	18
Magellan Health	1,735	262	7,214	-0.5%	3.6%	3.6%	0.2x	6.6x	10,100	714
Mednax	3,298	-1,113	3,508	1.6%	24.4%	-31.7%	0.9x	N/A	9,480	370
The Ensign Group	3,488	201	2,077	19.8%	14.9%	9.7%	1.7x	17.4x	24,500	85
Genesis HealthCare	4,057	350	4,496	-7.0%	46.1%	7.8%	0.9x	11.6x	55,000	82
Acadia Healthcare	5,858	486	3,130	3.3%	N/A	15.5%	1.9x	12.1x	42,800	73
Select Medical Holdings	7,229	693	5,544	7.6%	15.1%	12.5%	1.3x	10.4x	49,900	111
Encompass Health	10,014	932	4,663	7.1%	96.3%	20.0%	2.1x	10.7x	22,318	209
DaVita	21,590	2,371	11,487	1.7%	31.0%	20.6%	1.9x	9.1x	65,000	177
Centene	43,120	2,497	82,220	25.8%	11.3%	3.0%	0.5x	17.3x	56,600	1,453
Average	10,162	672	12,494	8.1%	30.0%	6.7%	1.4x	14.2x	36,885	329
Median	4,958	418	4,580	5.2%	24.4%	8.7%	1.5x	11.6x	37,977	144

share price as of 13Jul20

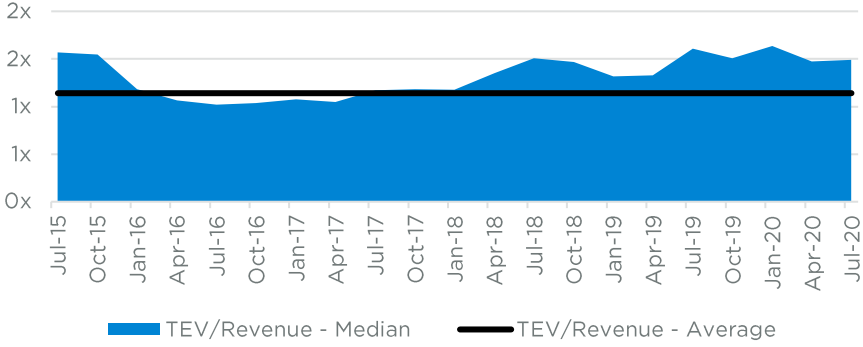
Public Basket



Public EBITDA Multiples over Time

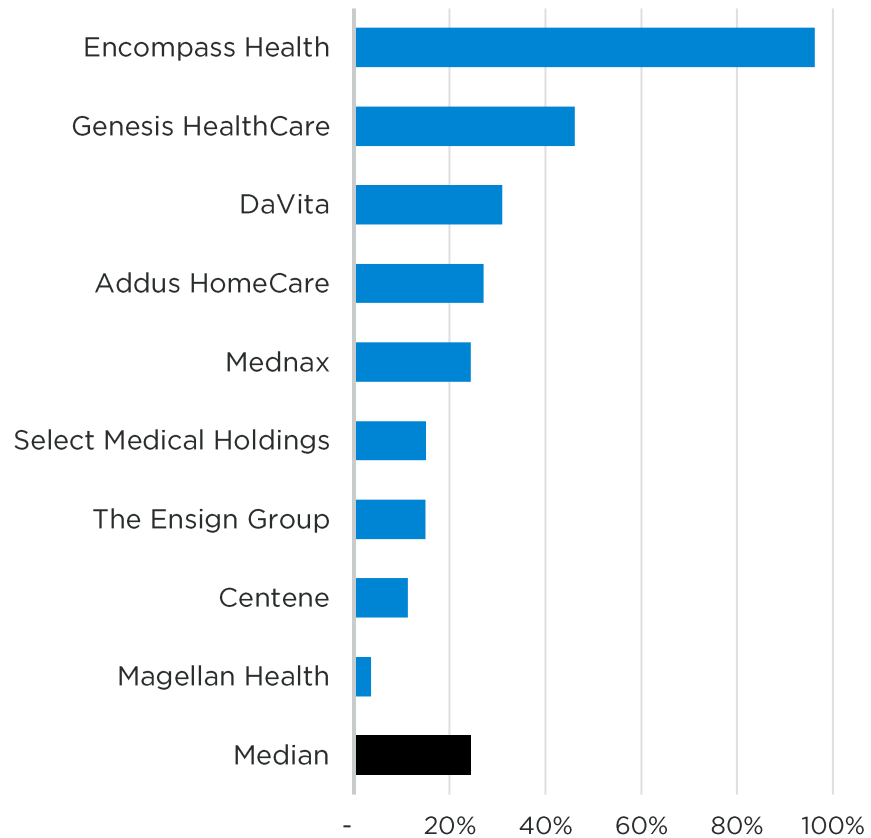


Public Revenue Multiples over Time

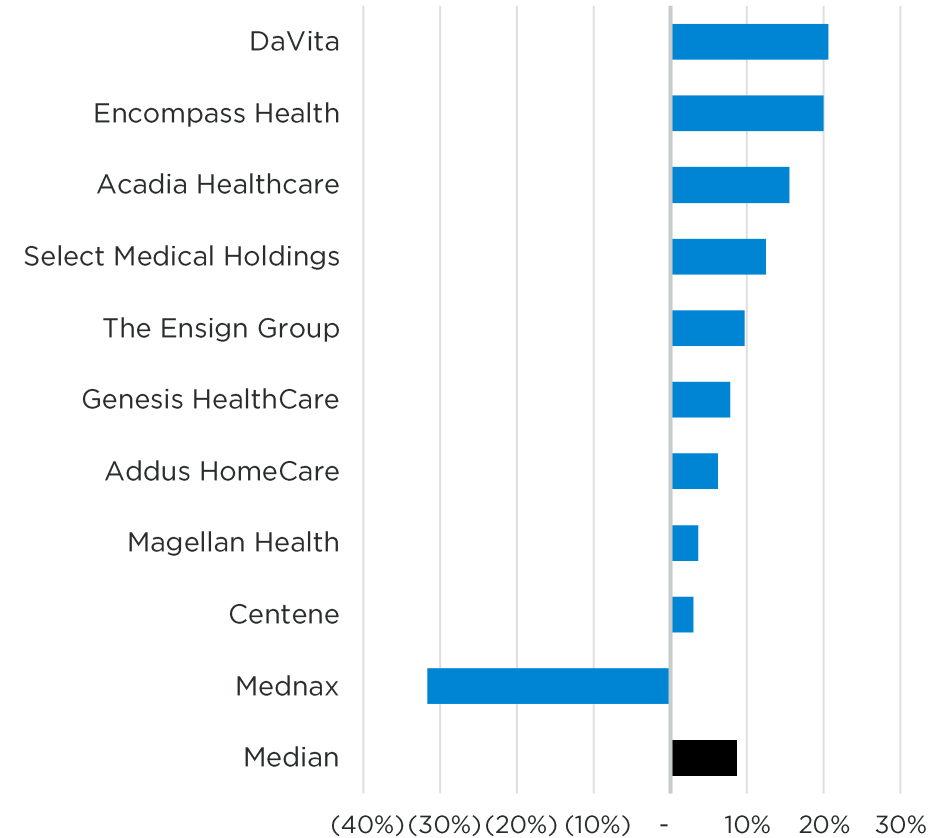


Operational Metrics

LTM Gross Profit Margin %

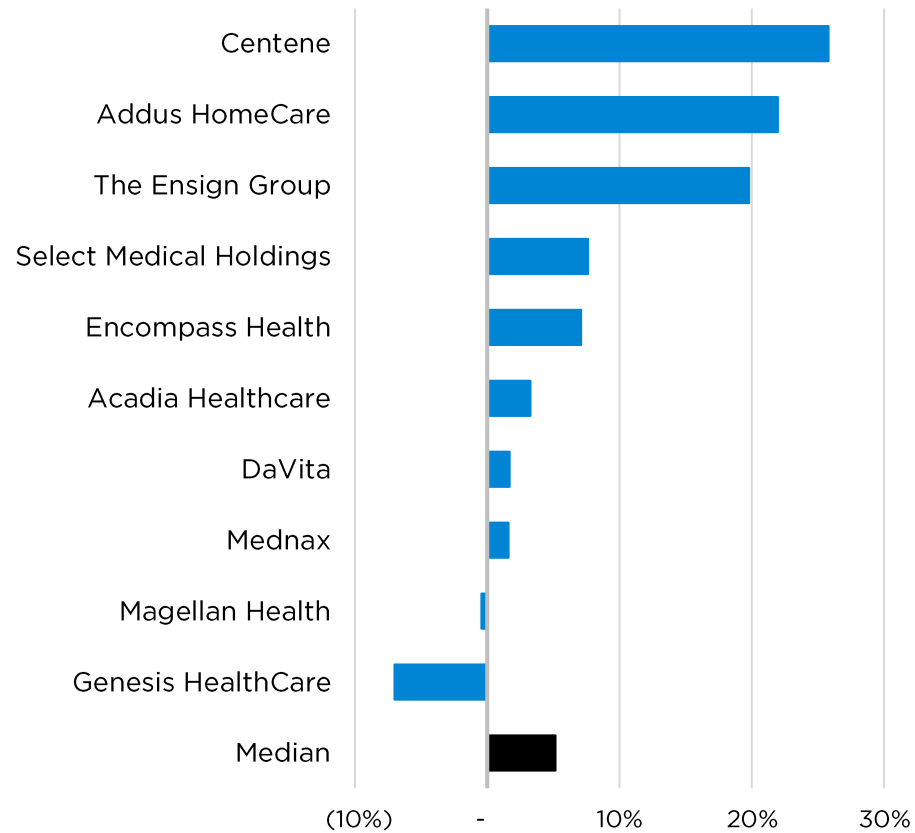


LTM EBITDA %

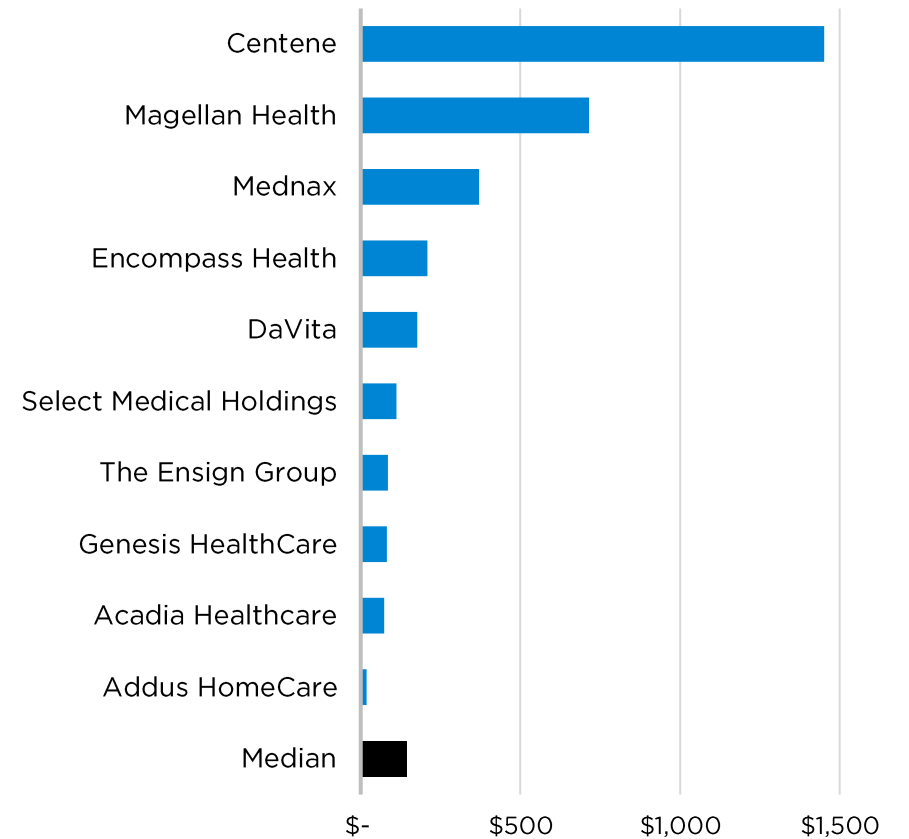


Operational Metrics

LTM Revenue Growth %

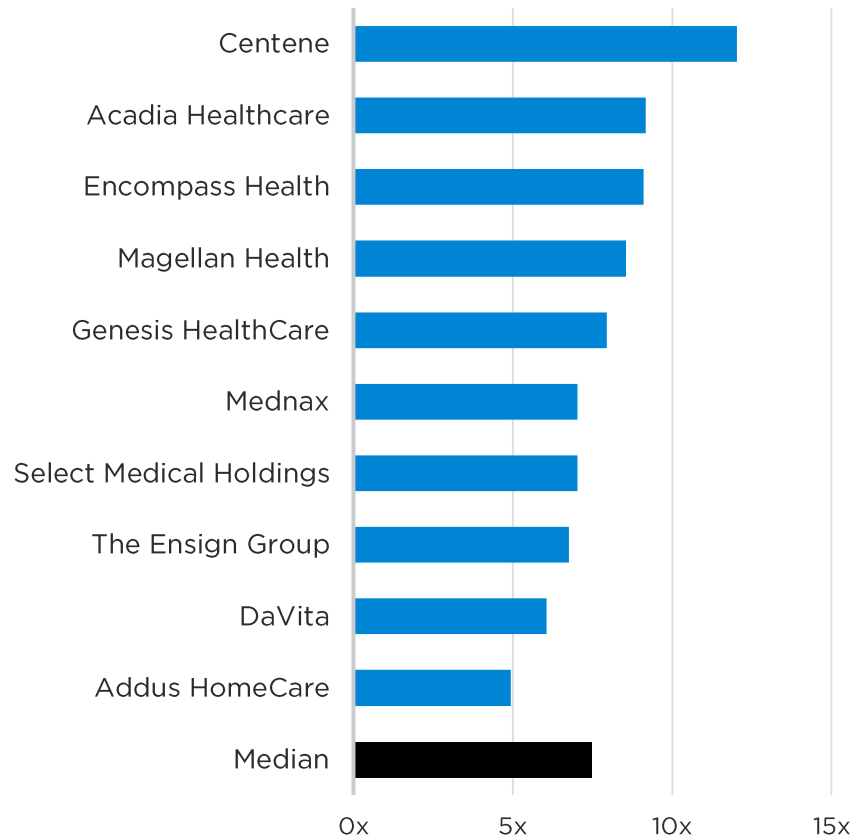


LTM Revenue per Full Time Employee x 000's

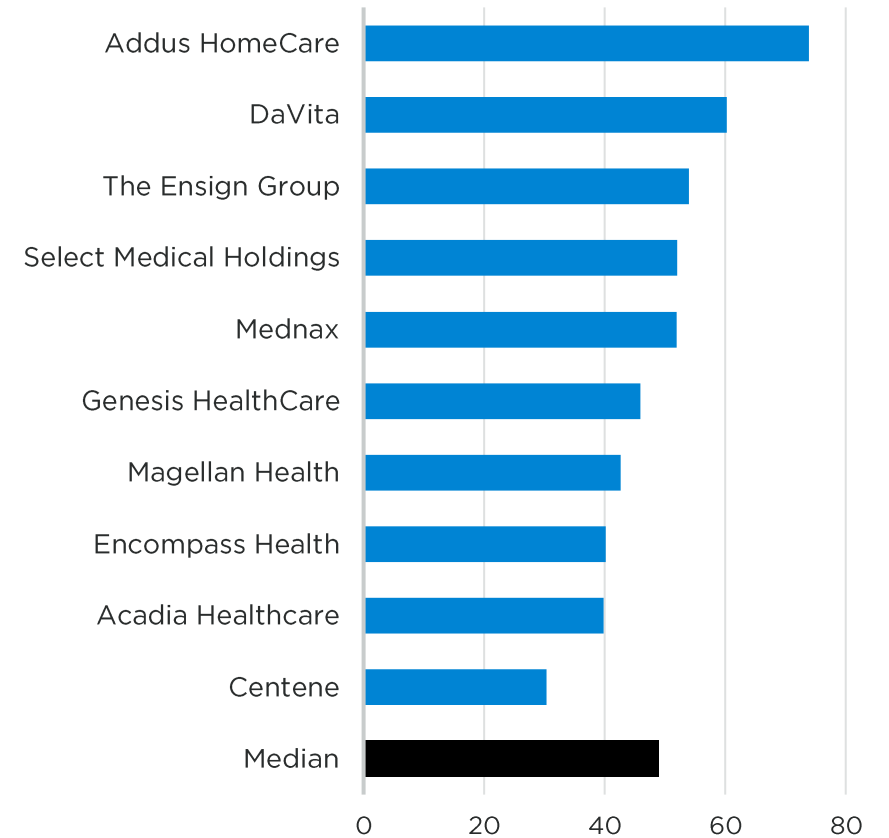


Operational Metrics

Accounts Receivable Turnover

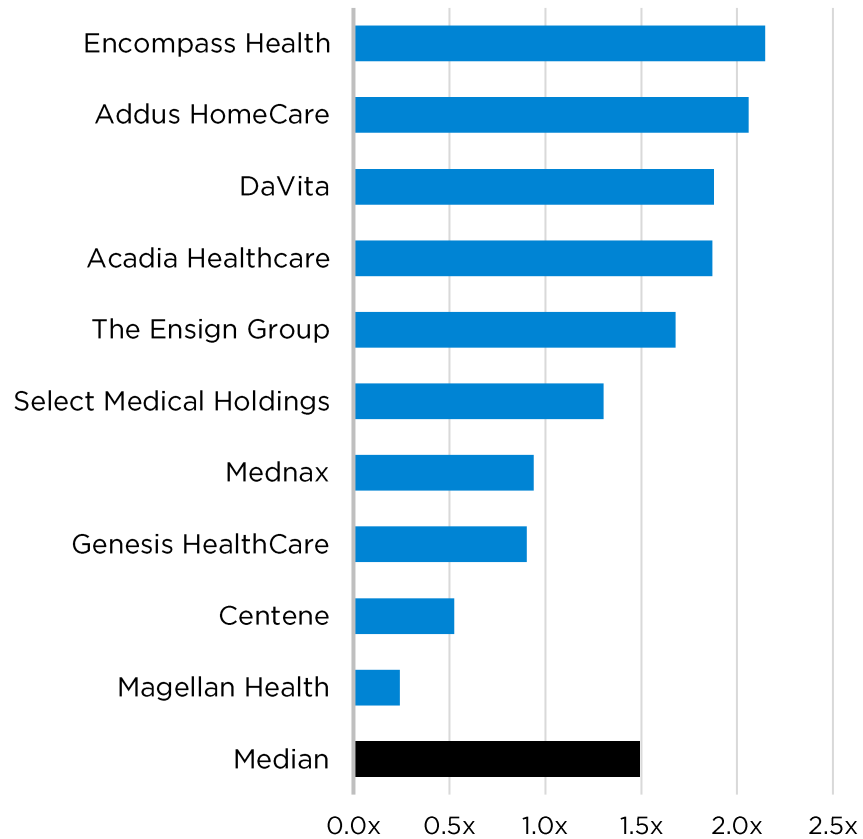


Average Days Sales Outstanding

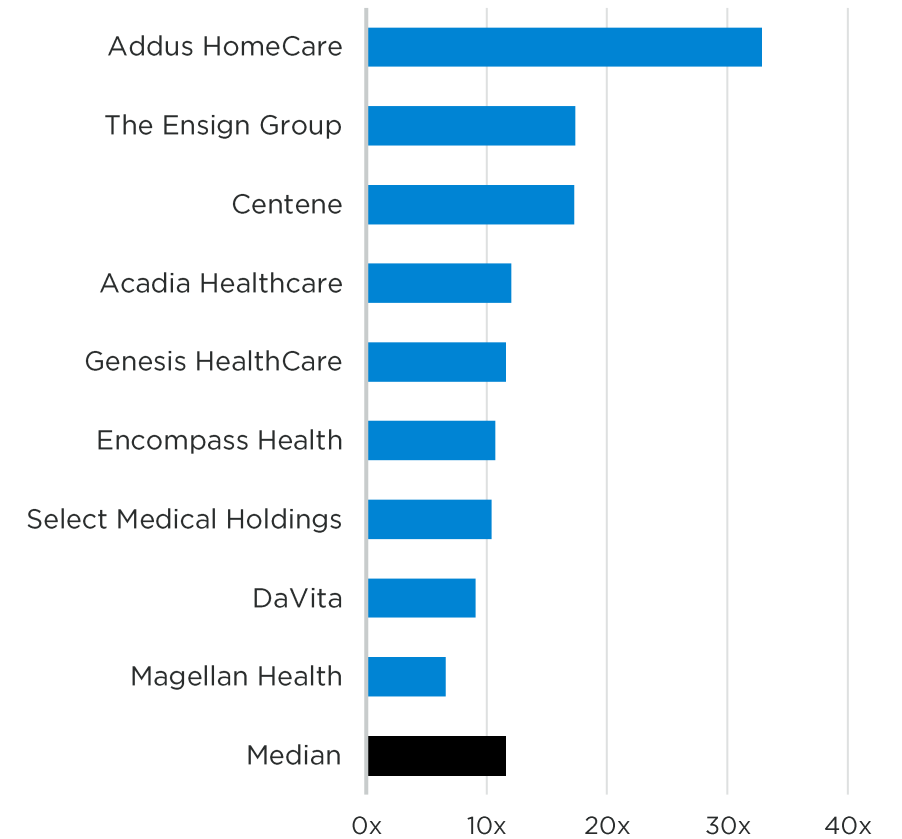


Valuation

TEV / LTM Revenue

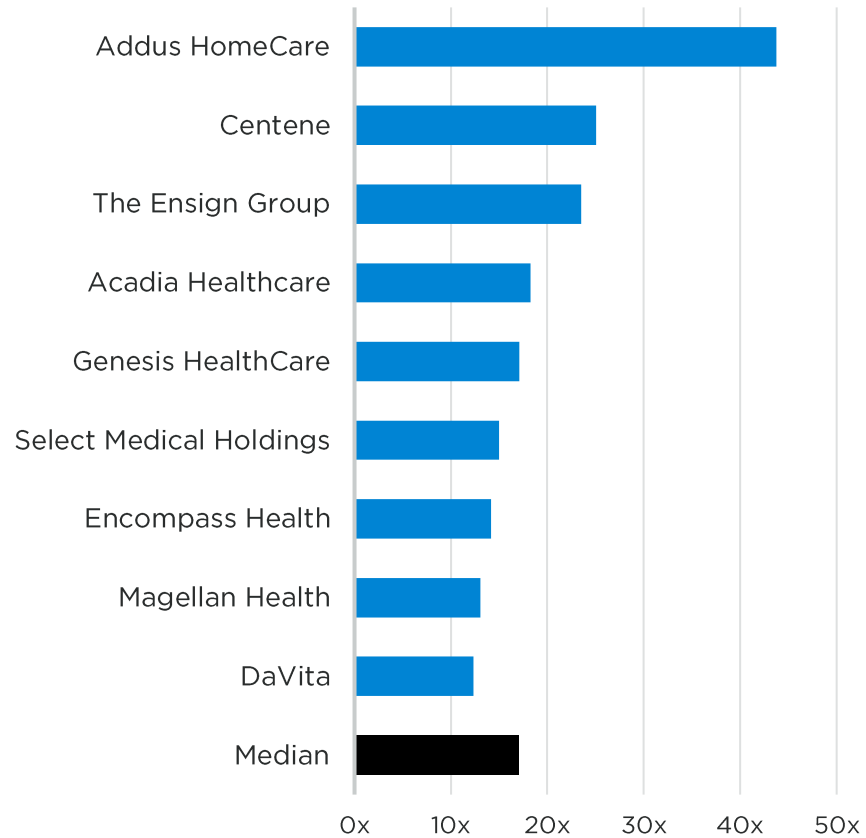


TEV / LTM EBITDA

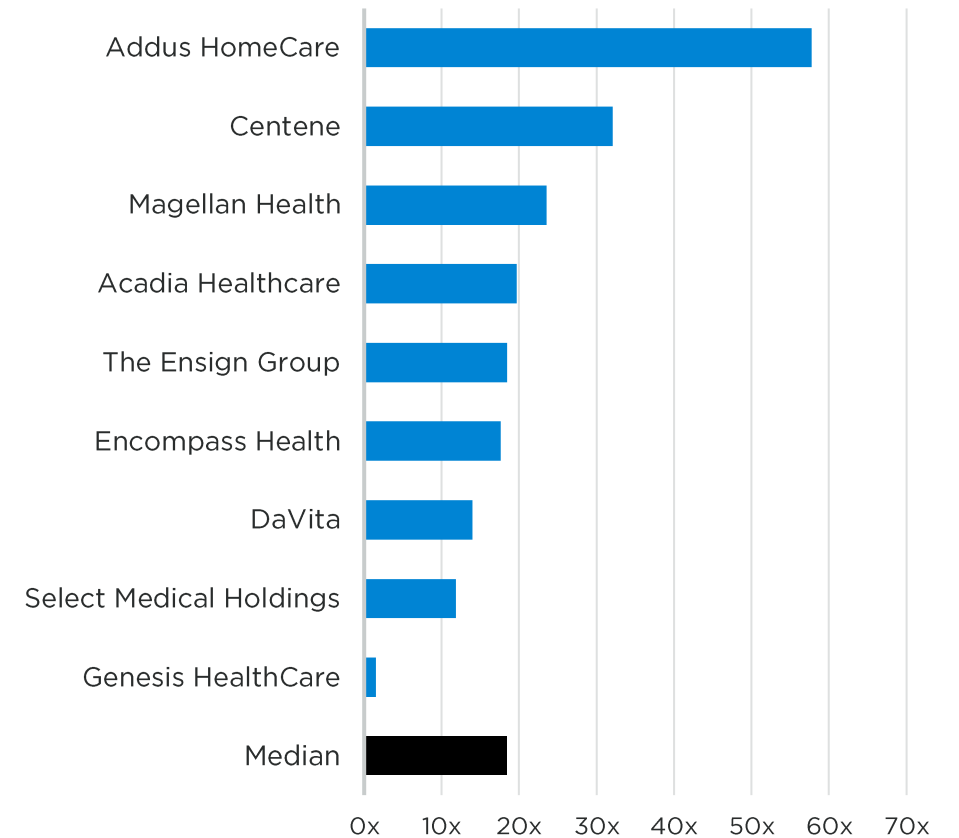


Valuation

TEV / LTM EBIT

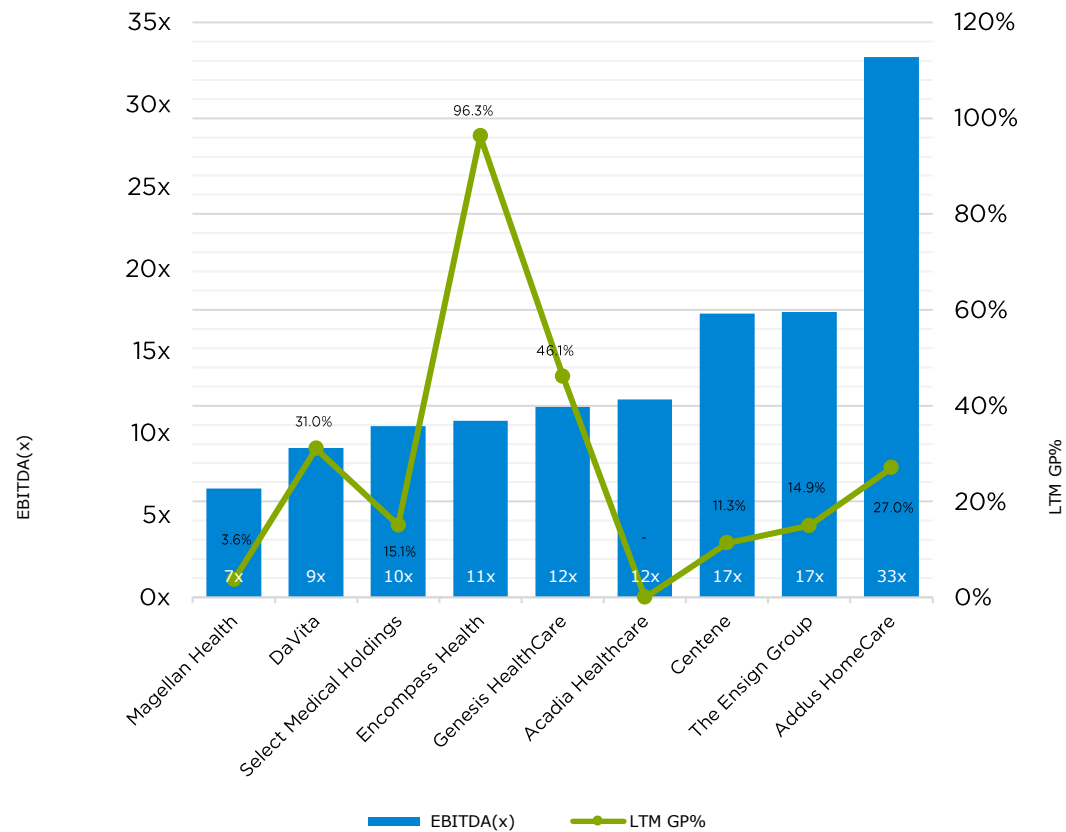


Price / LTM Earnings

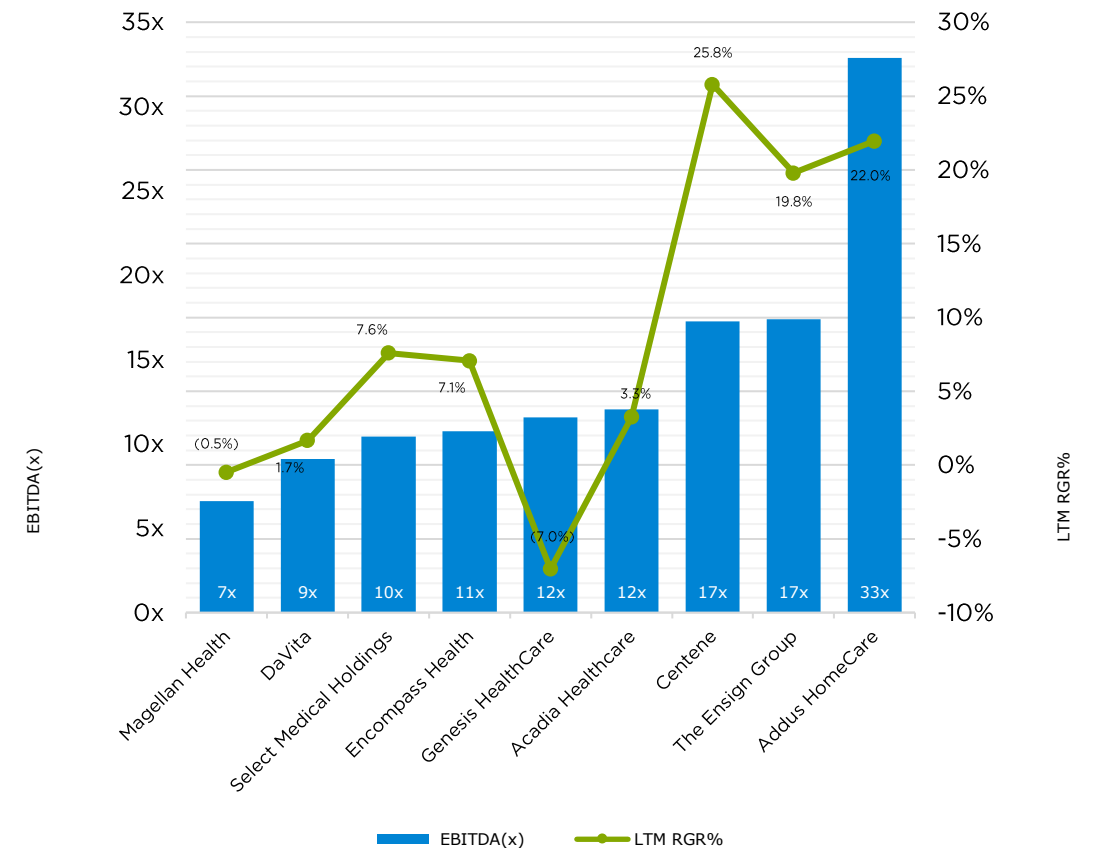


Valuation

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
01-Jul-20	Berube Physical Therapy	BPEA Private Equity	-	-	-	-
01-Jul-20	Easton Hospital	St. Luke's University Health Network	-	-	-	-
01-Jul-20	Graham Regional Medical Center	AngMar Medical Holdings	-	-	-	-
30-Jun-20	Corizon Health	Flacks Group	-	-	-	-
30-Jun-20	Northern Louisiana Medical Center	Allegiance Health Management	-	-	-	-
24-Jun-20	Clearview Centers	Odyssey Behavioral Healthcare	-	-	-	-
23-Jun-20	Arizona Eye Institute & Cosmetic Laser Center	Eyecare Partners	-	-	-	-
23-Jun-20	Autism Therapy Services	ABRY Partners	-	-	-	-
23-Jun-20	Family Recovery Solutions	BayMark Health Services	-	-	-	-
19-Jun-20	Narcotic Addiction Treatment Agency	BayMark Health Services	-	-	-	-
17-Jun-20	PAM Rehabilitation Hospital of Dover	Anchor Health Properties	21	-	-	-
16-Jun-20	KRS Global Biotechnology	Cleveland Diabetes Care	-	-	-	-
16-Jun-20	Lehman Advanced Dermatology	Chicago Pacific Founders	-	-	-	-
15-Jun-20	Garden Park Medical Center	Singing River Health System	-	-	-	-
15-Jun-20	The Urology Group	Lee Equity Partners	-	-	-	-
13-Jun-20	Green & Moncrief Physical Therapy	Prospert Physical Therapy	-	-	-	-
10-Jun-20	Front Range Orthopedics & Spine	Orthohealth	-	-	-	-
02-Jun-20	City Drugs NY	ACON Investments	-	-	-	-
31-May-20	Midwestern Dental	Redwood Dental	-	-	-	-
20-May-20	Vitreous Retina Macula Specialist Of New Jersey	Eyecare Partners	-	-	-	-
16-May-20	Harmony Hospice	Pennant Group	-	-	-	-
16-May-20	Prime Hospice	Pennant Group	-	-	-	-
15-May-20	21st Century Oncology	Genesis Care	-	-	-	-
14-May-20	U.S. Oral Surgery Management	-	10	-	-	-
06-May-20	American Anesthesiology	American Securities	250	-	-	-
01-May-20	Shands Live Oak Regional Medical Center	HCA Management Services	-	-	-	-
29-Apr-20	Adicet Bio	resTORbio	-	-	-	-
24-Apr-20	Arthritis and Osteoporosis Center	Boyne Capital Partners	0.64	-	-	-
15-Apr-20	Premier Rehab Physical Therapy	Empower Physical Therapy	-	-	-	-

Appendix

*Public Basket
Contact Information*



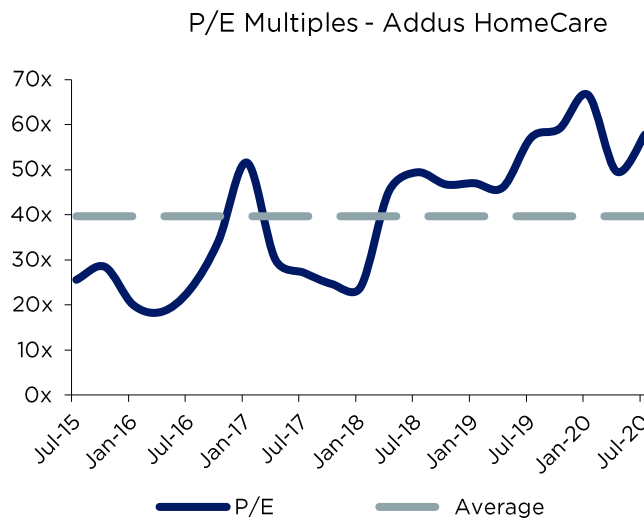
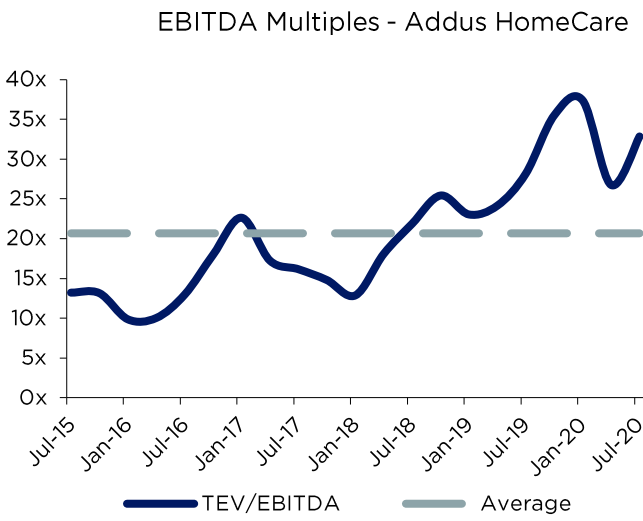
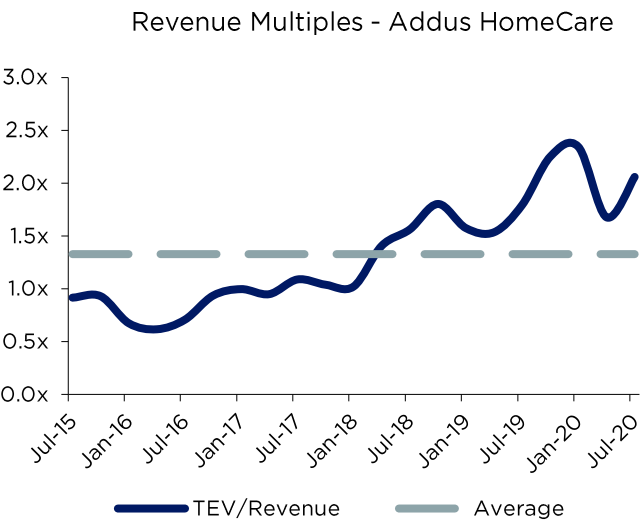
Addus HomeCare

Addus HomeCare Corp is engaged in the provision of in-home personal care services.

It operates through the following segments: Personal care segment which provides non-medical assistance with activities of daily living, primarily to persons who are at risk of hospitalization or institutionalization, such as the elderly, chronically ill and disabled. Its Hospice segment provides physical, emotional and spiritual care for people who are terminally ill and their families. Its Home health segment provides services that are primarily medical in nature to those individuals who may require assistance during an illness or after surgery.

Public Basket

Addus HomeCare



Company Name	Date	Deal Synopsis
A Plus Health Care	01-Jul-20	The company was acquired by Addus HomeCare (NAS: ADUS) for an undisclosed amount on July 1, 2020.
Hospice Partners of America	01-Oct-19	The company was acquired by Addus HomeCare (NAS: ADUS) for \$130 million on October 1, 2019. The acquisition will be funded through a credit facility. The purchase price represents \$118.4 million of value, net of the present value of \$11.6 million of estimated tax benefits.

Magellan Health

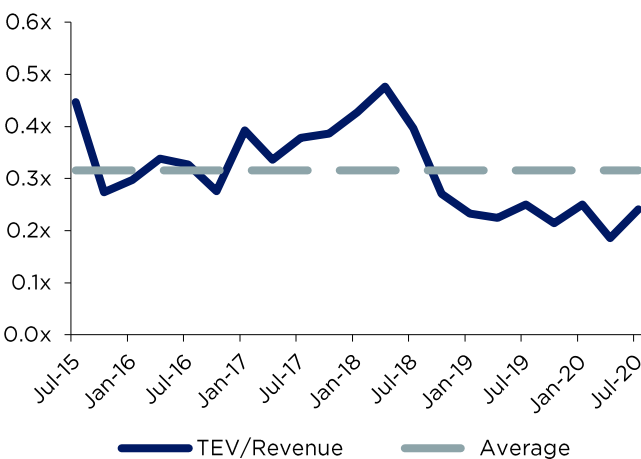
Magellan Health provides healthcare management services to health plans and other managed care organizations, employers, labor unions, United States government agencies, and third-party administrators.

The firm operates in three segments: Healthcare, Pharmacy Management, and Corporate. The Healthcare business manages behavioral healthcare services and employee assistance program services, as well as specialty areas like diagnostic imaging. The Pharmacy Management segment includes pharmacy benefit management (PBM) services, pharmacy benefit administration for Medicaid and other government-sponsored programs, pharmaceutical dispensing operations, and clinical and formulary management programs. The Healthcare business generates the majority of revenue.

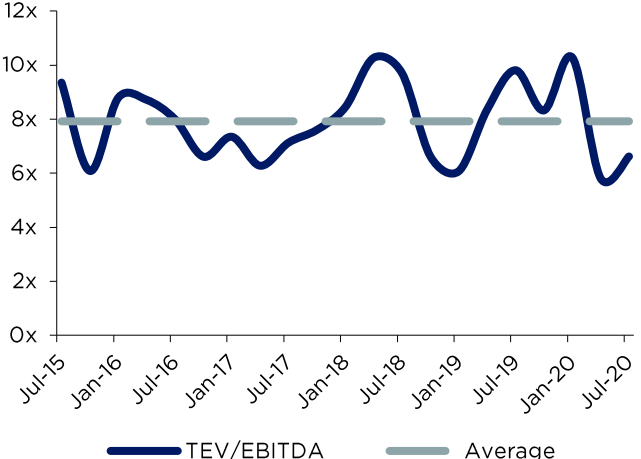
Public Basket

Magellan Health

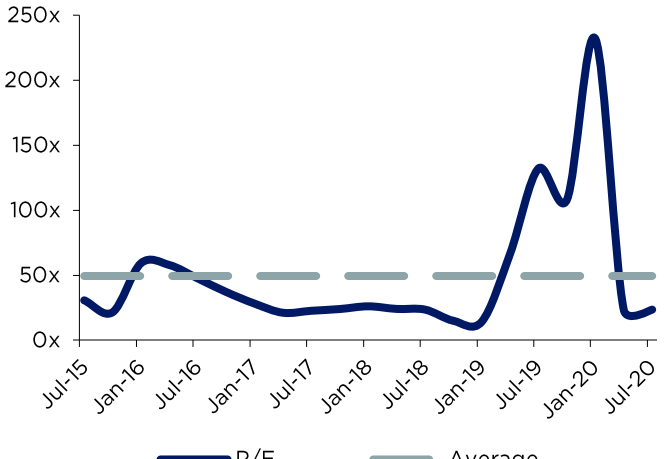
Revenue Multiples - Magellan Health



EBITDA Multiples - Magellan Health



P/E Multiples - Magellan Health



Company Name	Date	Deal Synopsis
Senior Whole Health	31-Oct-17	The company was acquired by Magellan Health (NASDAQ: MGLN) for \$400 million on October 31, 2017. This price is inclusive of a \$10 million contingent consideration payment. The acquisition provides the acquirer with the opportunity to expand into the Massachusetts Senior Care Options (SCO) program, as well as further its presence in New York City's managed long-term care (MLTC) market.
Veridicus Health	13-Dec-16	The company was acquired by Magellan Health (NAS: MGLN) for \$74.5 million on December 13, 2016.

Public Basket

Mednax

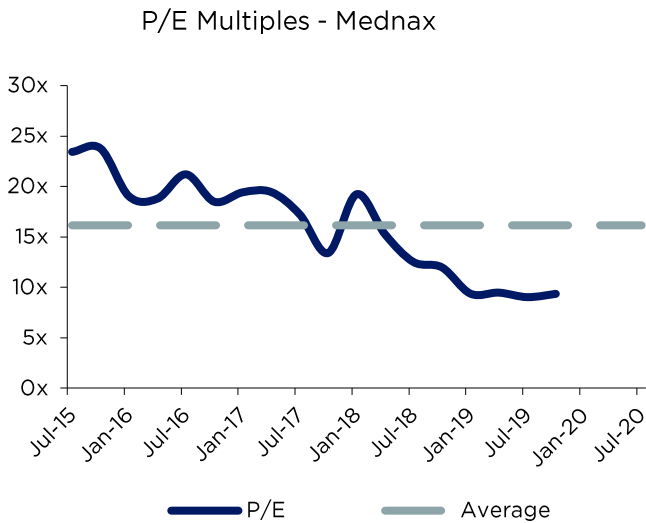
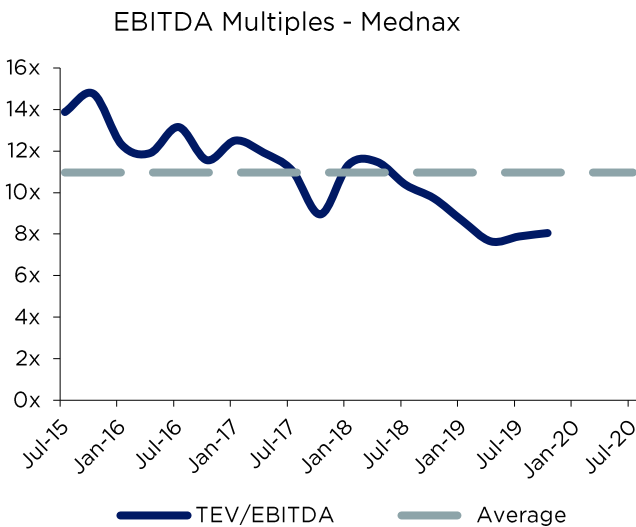
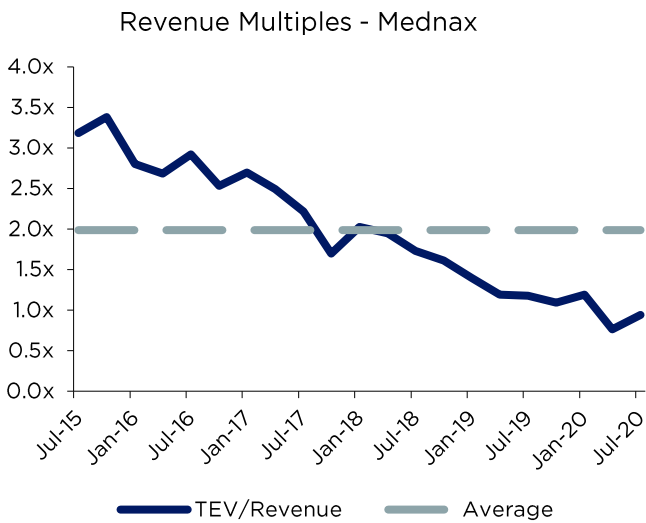
Mednax

Mednax Inc provides physician services, which include newborn, anesthesia, maternal-fetal, teleradiology, pediatric cardiology, and other pediatric subspecialty care.

The firm operates in six segments: neonatal and other pediatric subspecialties, anesthesia, maternal-fetal, pediatric cardiology, radiology, and other services. The neonatal segment contributes the largest proportion of the firm's revenue. Mednax generates virtually all of its revenue in the United States, with over half of its revenue from operations in five states: Texas, North Carolina, Georgia, Tennessee, and Florida. Contracted managed care payors contribute the majority of net collections.

Public Basket

Mednax



Company Name	Date	Deal Synopsis
Boca Radiology	07-Jan-20	The company was acquired by Mednax (NYS: MD) for an undisclosed amount on January 7, 2020.
Bethesda Radiology Associates	26-Nov-18	The company was acquired by Mednax (NYS: MD) from Bethesda Hospital for an undisclosed amount on November 26, 2018. This acquisition will enable Mednax to bring unified radiology services to Baptist Health's patients stretching from Miami-Dade County to Palm Beach County.

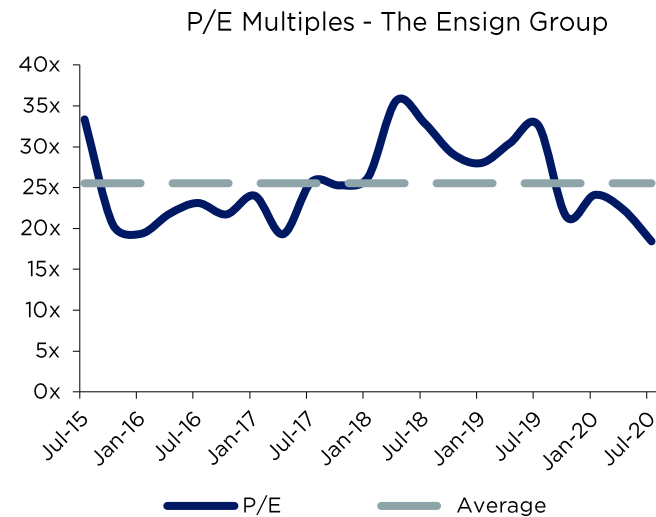
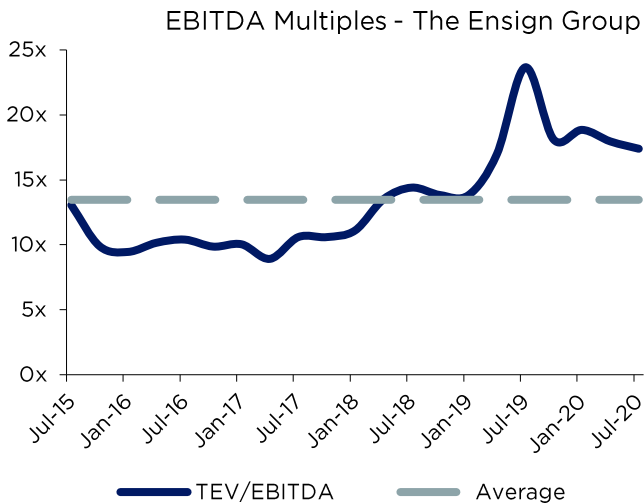
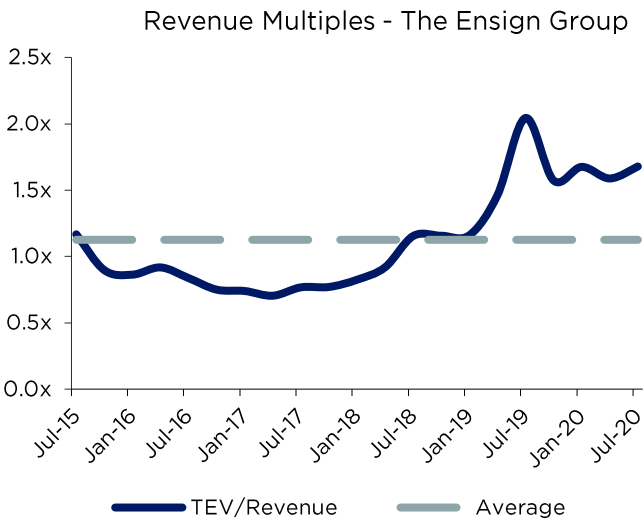
The Ensign Group

Ensign Group Inc provides post-acute healthcare services in the United States.

Its regional subsidiaries operate skilled nursing, assisted living, home health and hospice, mobile ancillary, and urgent care services. Medicare and Medicaid programs contribute the greatest proportion of revenue received for Ensign's services. The firm operates through transitional and skilled (TSA), assisted and independent living services and home health and hospice services segments. The TSA segment includes skilled nursing operations and assisted and independent living operations. The majority of revenue is generated by the TSA segment. Ensign also operates several urgent care clinics that provide care for minor injuries and illnesses.

Public Basket

The Ensign Group



Company Name	Date	Deal Synopsis
Ridgeview Post Acute	03-Mar-20	The company was acquired by The Ensign Group (NAS: ENSG) for an undisclosed amount on March 3, 2020.
West Van Buren Healthcare	03-Mar-20	The company, a subsidiary of Endura Healthcare, was acquired by The Ensign Group (NAS: ENSG) for an undisclosed amount on March 3, 2020.

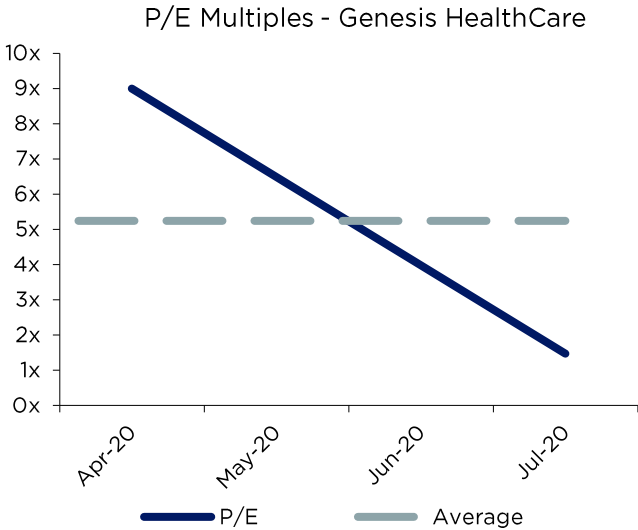
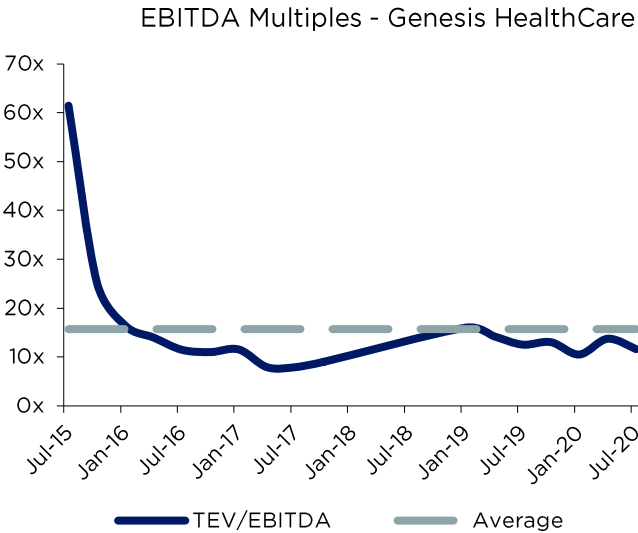
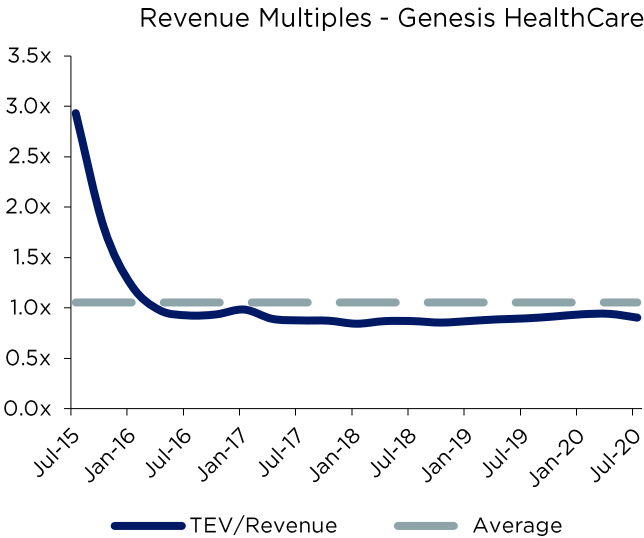
Genesis HealthCare

Genesis Healthcare Inc is a post-acute care provider in the United States.

It focuses on the medical and physical issues facing elderly patients and is provided by the employees of skilled nursing facilities, assisted/senior living communities, integrated and third-party rehabilitation therapy business. The company has three operating segments. The inpatient services segment include the operation of skilled nursing facilities and assisted/senior living facilities; rehabilitation therapy segment services include integrated and third-party rehabilitation and respiratory therapy services; and all other services. The majority of its revenue is generated from its skilled nursing facilities of the inpatient services segment.

Public Basket

Genesis HealthCare



Company Name	Date	Deal Synopsis
Sensoria Health	04-Oct-17	The company was formed as a joint venture between Genesis Healthcare and Sensoria for an undisclosed amount on October 4, 2017. The two companies intend to deliver smart aging solutions to those who need it most.
Revera (24 Skilled Nursing Facilities)	01-Dec-15	24 Skilled Nursing Facilities of Revera were acquired by Genesis HealthCare (NYSE: GEN) for \$240 million on December 1, 2015. Genesis HealthCare (NYSE: GEN) is backed by Formation Capital, Founders Fund and J.E. Robert Companies.

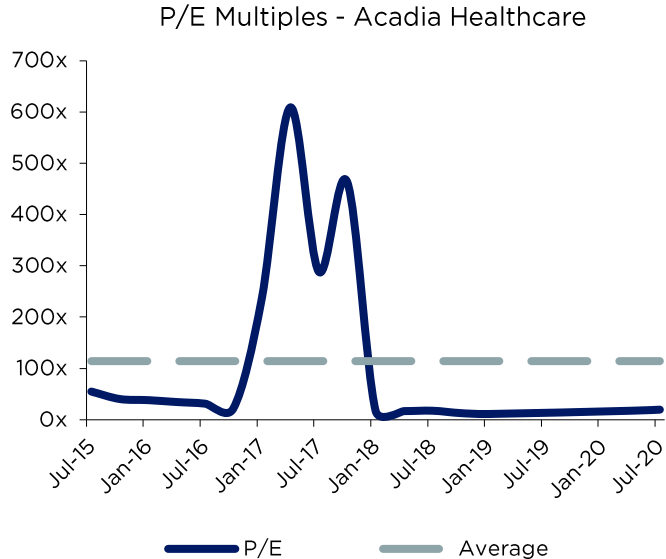
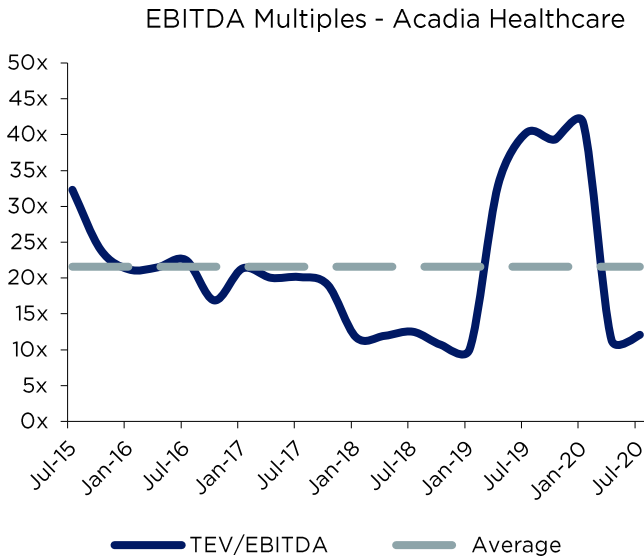
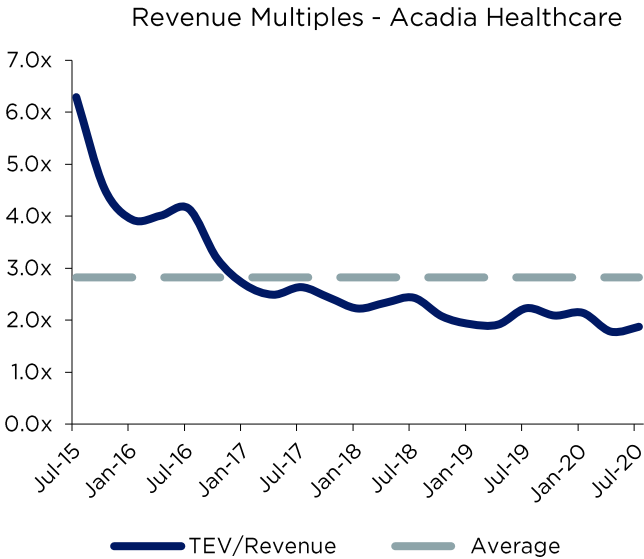
Acadia Healthcare

Acadia Healthcare Co Inc acquires and develops behavioral healthcare facilities in the United States, United Kingdom, and Puerto Rico.

Acute inpatient psychiatric facilities and specialty treatment facilities contribute the vast majority of Acadia's revenue in the United States. The U.S. facilities receive the largest proportion of payments from Medicaid, with the second largest proportion from commercial payors. In the United Kingdom, the majority of Acadia's revenue comes from its healthcare facilities, and virtually all of the payment received is from the National Health Service.

Public Basket

Acadia Healthcare



Company Name	Date	Deal Synopsis
Bradford Recovery Center	01-Apr-19	The company was acquired by Acadia Healthcare (NAS: ACHC) for \$4.5 million on April 1, 2019.
Whittier Health Network (The Whittier Pavilion in Massachusetts)	15-Feb-19	The The Whittier Pavilion in Massachusetts of Whittier Health Network, was acquired by Acadia Healthcare (NAS: ACHC) for an undisclosed amount on February 15, 2019.

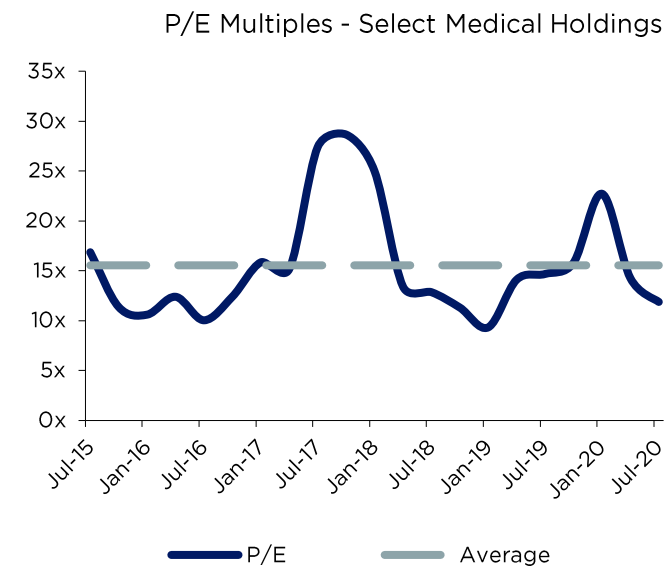
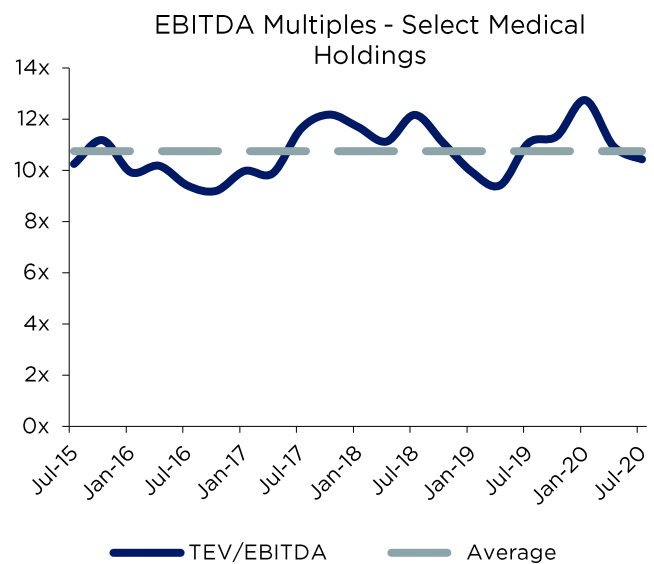
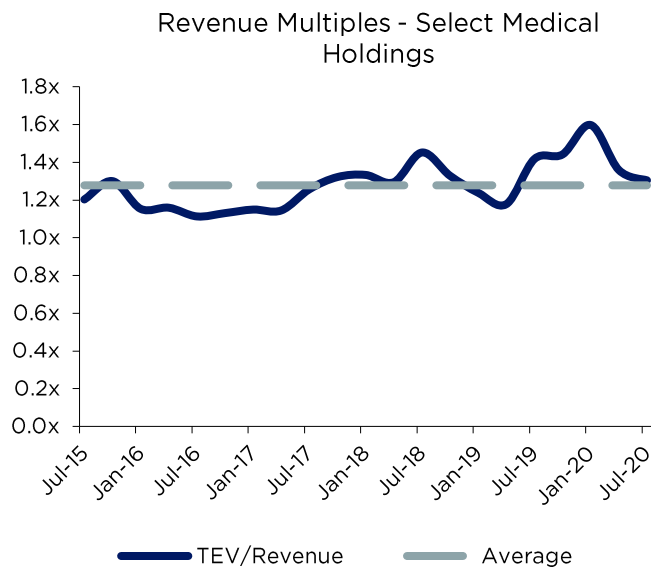
Select Medical Holdings

Select Medical Holdings is a healthcare company that operates through four main segments: critical illness recovery hospitals, rehabilitation hospitals, outpatient rehabilitation clinics, and Concentra institutions.

Critical illness recovery hospitals and rehabilitation centers are designed for patients requiring extended recovery time with medical services. These two sectors combined compose roughly half of the total revenue and include over 100 critical illness recovery hospitals and inpatient rehab facilities. The outpatient rehabilitation segment includes over 1,700 rehabilitation clinics. The Concentra segment includes over 500 institutions. The company is headquartered in Pennsylvania, and it operates across the United States.

Public Basket

Select Medical Holdings



Company Name	Date	Deal Synopsis
Select At Home	09-May-19	The company was formed as a joint venture between Select Medical Holdings (NYS: SEM) and Alternate Solutions Health Network as of May 9, 2019. The joint venture is being created to provide home health and hospice services.
JV (Norton Healthcare and Select Medical)	01-May-19	The company was formed as a joint venture between Select Medical Holdings (NYS: SEM) and Norton Healthcare on May 1, 2019. The joint venture enables the two entities to further integrate best practices and advanced rehabilitative care to provide the best possible patient outcomes.

Encompass Health

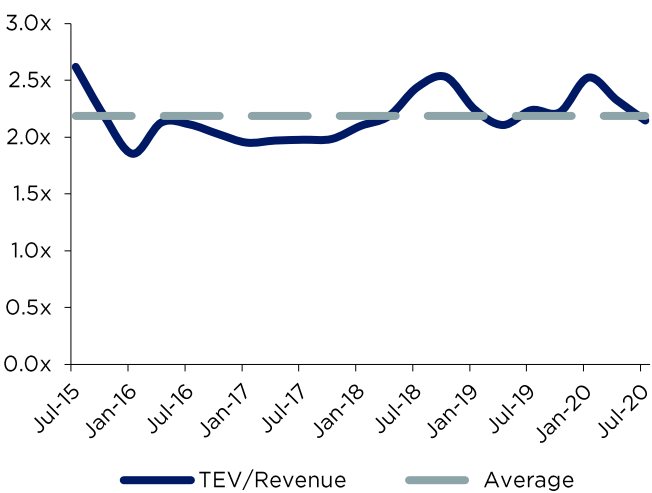
Encompass Health Corp provides post-acute healthcare services in the United States through a network of inpatient rehabilitation hospitals, home health agencies and hospice agencies.

It operates in two segments: inpatient rehabilitation and home health and hospice. The inpatient rehabilitation segment contributes the majority of the firm's revenue and provides specialized rehabilitative treatment through a network of inpatient hospitals. These hospitals are concentrated in the eastern half of the United States and Texas. The home health and hospital segment provides skilled home health services through agencies concentrated in the southeastern United States and Texas, which include nursing, physical, occupational, and speech therapy, social work, and hospice services.

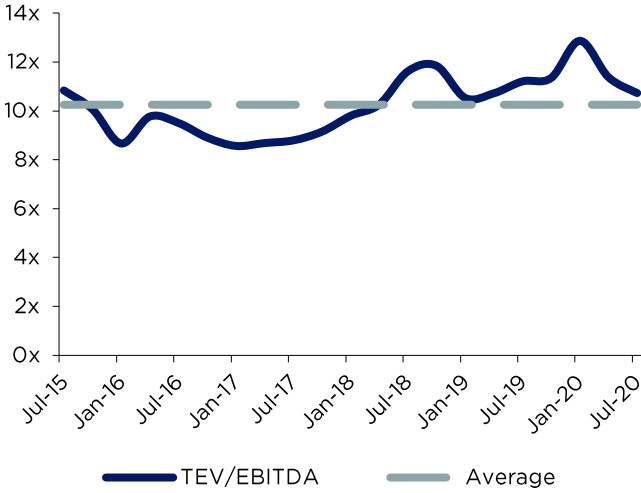
Public Basket

Encompass Health

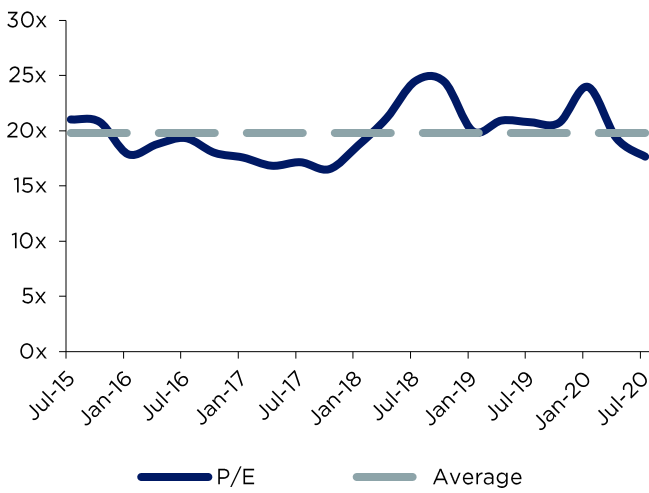
Revenue Multiples - Encompass Health



EBITDA Multiples - Encompass Health



P/E Multiples - Encompass Health



Company Name	Date	Deal Synopsis
University of Iowa Health Network Rehabilitation Hospital	28-Jan-20	Encompass Health and University of Iowa Health System have entered into an agreement to form a joint venture as of January 28, 2020. The joint venture will serve patients recovering from a variety of debilitating illnesses and injuries including strokes and other neurological disorders, brain injuries, spinal cord injuries, amputations and complex orthopedic conditions.
The Rehabilitation Institute of Ohio	01-Jan-20	The company was formed as a joint venture between Encompass Health (NYS: EHC) and Premier Health in 2020.

DaVita

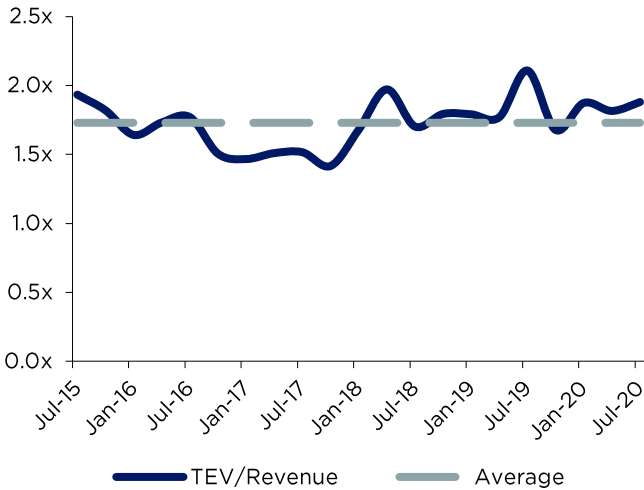
DaVita is the largest provider of dialysis services in the United States, boasting market share that eclipses 35% when measured by both patients and clinics.

The firm operates about 3,000 facilities worldwide, mostly in the U.S., and treats over 235,000 patients globally each year. Government payers dominate U.S. dialysis reimbursement. DaVita receives approximately 69% of U.S. sales at government (primarily Medicare) reimbursement rates, with the remaining 31% coming from commercial insurers. However, while commercial insurers represented only about 10% of the U.S. patients treated, they represent nearly all of the profits generated by DaVita in the U.S. dialysis business.

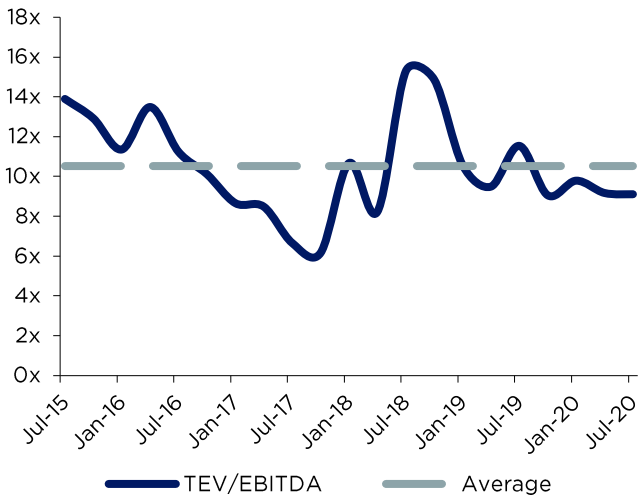
Public Basket

DaVita

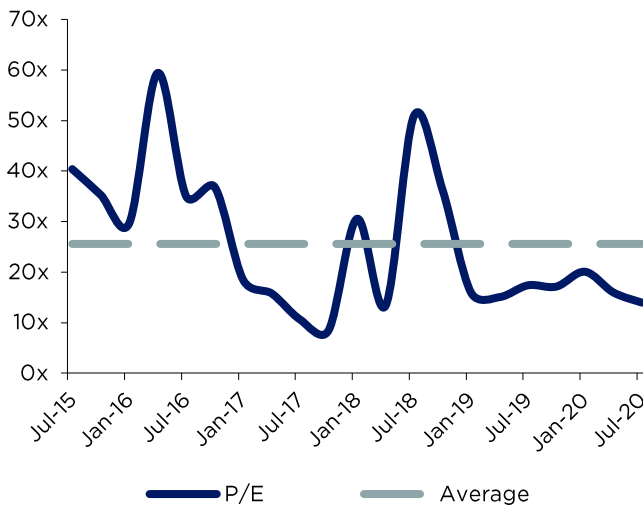
Revenue Multiples - DaVita



EBITDA Multiples - DaVita



P/E Multiples - DaVita



Company Name	Date	Deal Synopsis
Prorim Serviços	14-May-20	The company was acquired by DaVita (NYS: DVA) for an undisclosed amount on May 14, 2020.
Wellth	06-May-20	The company raised \$11.5 million of Series A venture funding in a deal led by Boehringer Ingelheim Venture Fund and Yabeo Capital on May 6, 2020. NFP Ventures, New York Life Ventures, DaVita, Portfolia, Esplanade Healthtech Ventures, Rock Health, AXA Venture Partners and I2BF Global Ventures also participated in the round.

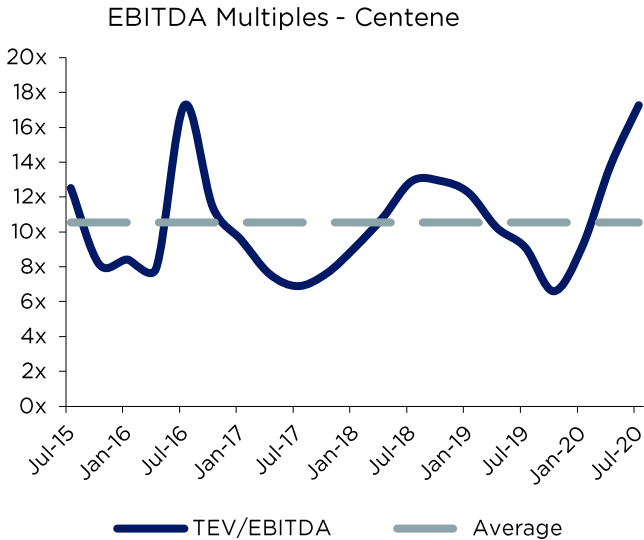
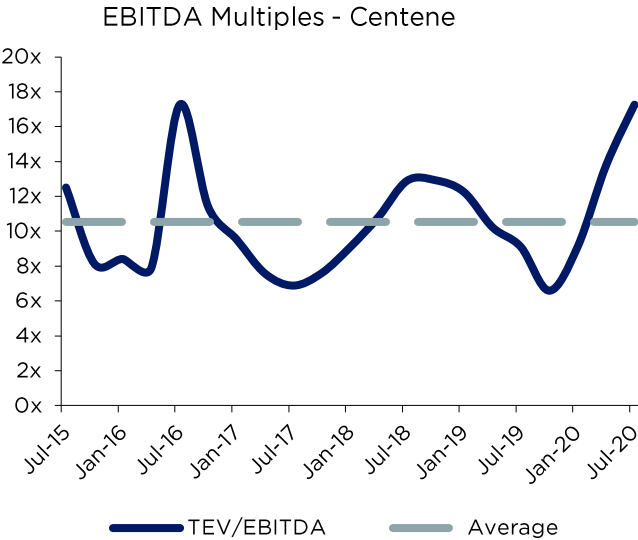
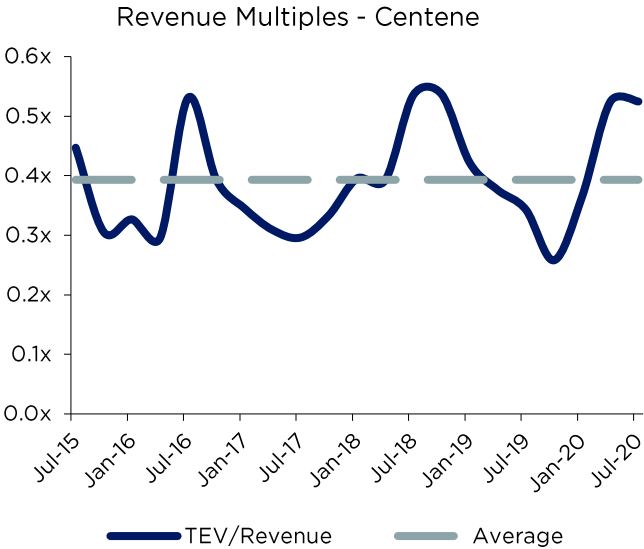
Centene

Centene is a managed-care organization focused on government-sponsored healthcare plans, including Medicaid, Medicare, and the individual exchanges.

After acquiring WellCare in early 2020, Centene serves about 24 million members, mostly in Medicaid (12 million), Medicare (5 million total, including 4 million in Part D plans and 1 million in Medicare Advantage), the individual exchanges (2 million), and other plans (5 million), including Tricare (West region), correctional facility, and international plans.

Public Basket

Centene



Company Name	Date	Deal Synopsis
WellCare Health Plans	23-Jan-20	<p>The company was acquired by Centene (NYS: CNC) for \$17.605 billion on January 23, 2020. The total consideration consisted of Centene common shares valued at \$11,431 million (based on Centene's stock price of \$66.76), \$6,079 million in cash, and \$95 million related to the fair value of replacement equity awards associated with pre-combination service. Each WellCare share was converted into 3.38 of validly issued, fully paid, non-assessable shares of Centene common stock and \$120.00 in cash. In total, 171 million shares of Centene common stock were issued to the company's stockholders.</p> <p>The company raised \$550 million of Series C venture funding in a deal led by Saudi Arabia's Public Investment Fund on August 1, 2019, putting the company's pre-money valuation at an estimated \$1.45 billion. Munich Re Ventures, Centene, Kinnevik, and Vostok New Ventures also participated in the round. Munich Re Ventures, Centene, Kinnevik, and Vostok New Ventures also participated in the round. \$450 million was secured in August and \$50 million has been agreed to be exercised at a later date. The remainder will be closed shortly. This will put the company's post-money valuation at an excess of \$2 billion. The funds will be used by the company for extensive product innovation to cover</p>
Babylon (Information Services B2C)	01-Aug-19	

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
John Cooper, Managing Director	704.973.3996	john@7mileadvisors.com
Mark Landry, Managing Director	561.972.0609	mark@7mileadvisors.com
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
Ariail Barker, Director, Sales & Marketing	704.981.2908	ariail@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Ben Garber, Vice President	412.626.7898	ben.garber@7mileadvisors.com
Garth Martin, Vice President	704.973.3997	garth.martin@7mileadvisors.com
Nicholas Prendergast, Vice President	704.973.3995	nicholas@7mileadvisors.com
Emily Halstenberg, Marketing & Sales Coordinator	704.409.9912	emily@7mileadvisors.com
Marty Johnson, Senior Associate	704.973.3999	marty@7mileadvisors.com
Sydney Scadden, Senior Associate	704.973.3998	sydney@7mileadvisors.com
Steve Buffington, Associate	704.960.1828	steve@7mileadvisors.com
Dennis Fox, Associate	704.706.9168	dennis@7mileadvisors.com
Daniel Kim, Associate	704.912.4584	daniel@7mileadvisors.com
Robin Siegel, Analyst	704.285.8173	robin@7mileadvisors.com