

7 Mile Advisors



Sectorwatch:

Healthcare - Specialty Care

Q4 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.

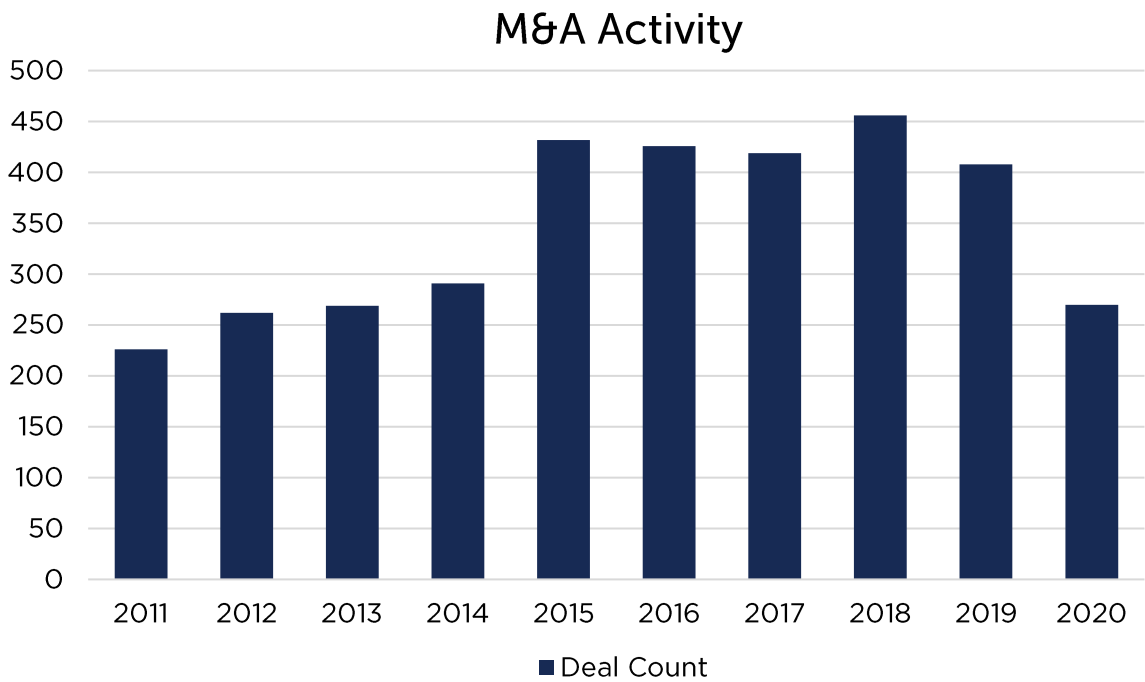
RECENT DEALS

- The most recently announced deals in the sector

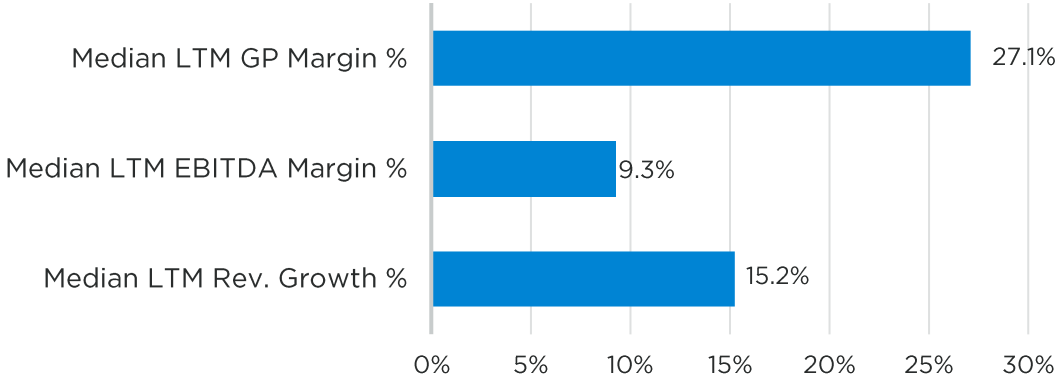
Dashboard

REVENUE GROWTH MOMENTUM ↓ 7.8%

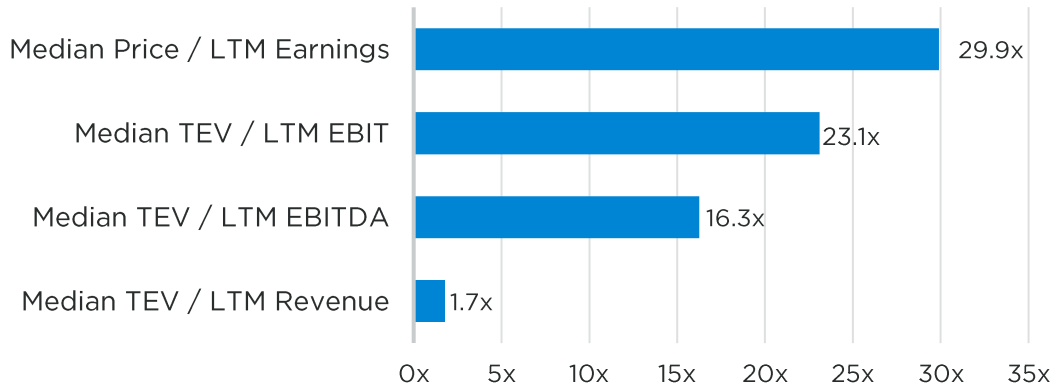
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing



Operating Metrics



Valuation

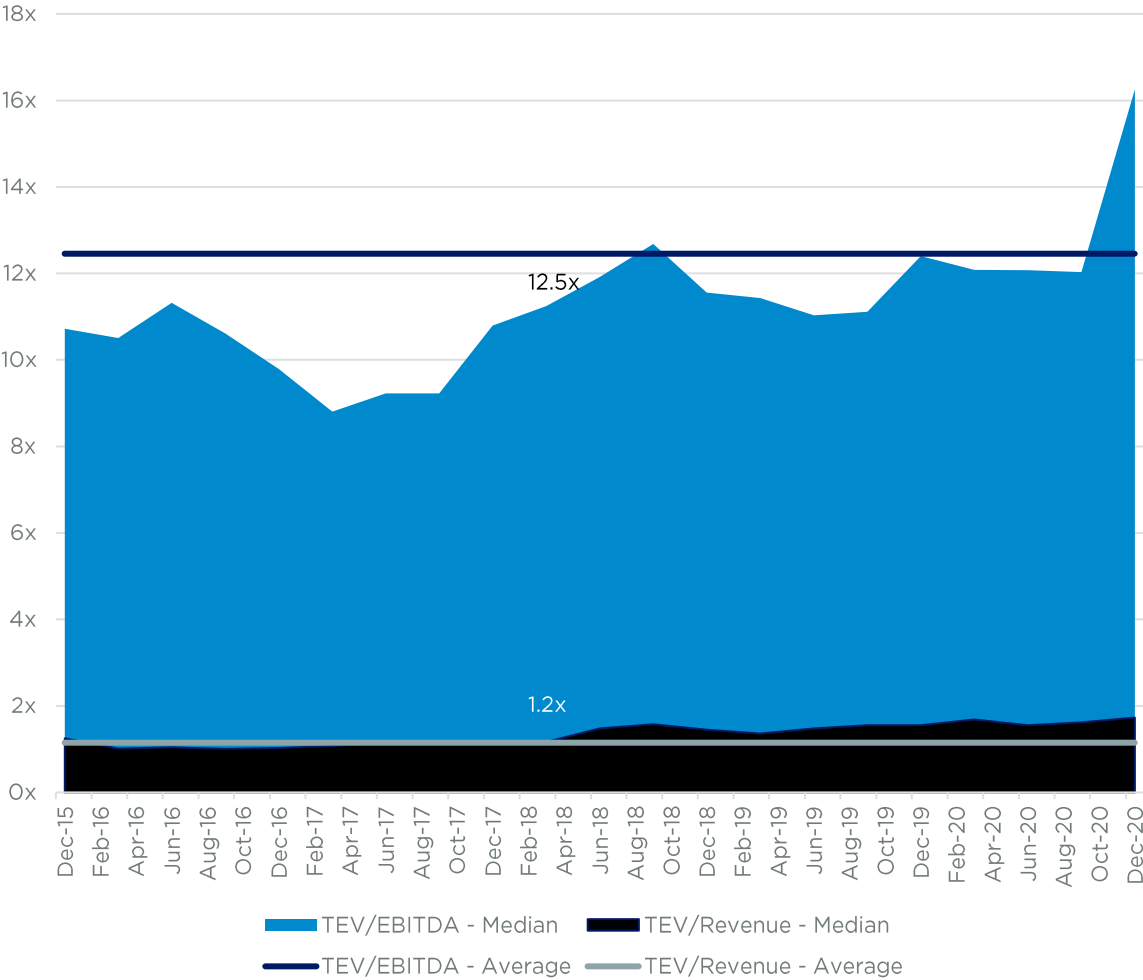


Public Basket

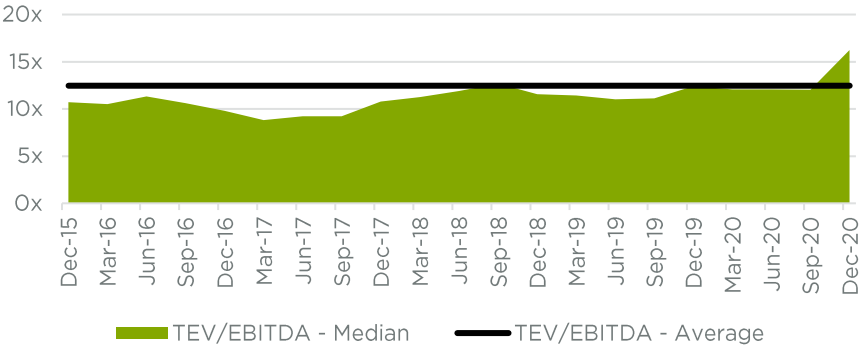
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Addus HomeCare	1,540	56	761	28.0%	29.5%	7.4%	2.0x	27.9x	33,153	23
Magellan Health	2,548	160	7,120	34.9%	3.3%	2.2%	0.5x	20.5x	10,100	705
Mednax	3,183	-1,098	3,510	58.8%	24.7%	-31.3%	1.4x	16.9x	9,480	370
Genesis HealthCare	3,473	144	4,123	-10.7%	43.5%	3.5%	0.8x	59.9x	55,000	75
The Ensign Group	4,805	261	2,334	35.1%	16.7%	11.2%	2.3x	20.5x	24,500	95
Acadia Healthcare	7,113	455	3,147	2.5%	96.0%	14.5%	2.3x	15.6x	42,800	74
Select Medical Holdings	7,810	743	5,446	1.9%	14.8%	13.6%	1.4x	10.5x	49,900	109
Encompass Health	11,751	862	4,614	2.2%	95.8%	18.7%	2.5x	13.6x	22,318	207
DaVita	24,021	2,336	11,544	2.1%	31.3%	20.2%	2.1x	10.3x	65,000	178
Centene	40,974	4,855	101,690	40.6%	13.8%	4.8%	0.4x	8.4x	56,600	1,797
Average	10,722	877	14,429	19.5%	36.9%	6.5%	1.6x	20.4x	36,885	363
Median	5,959	358	4,368	15.2%	27.1%	9.3%	1.7x	16.3x	37,977	143

share price as of 02Dec20

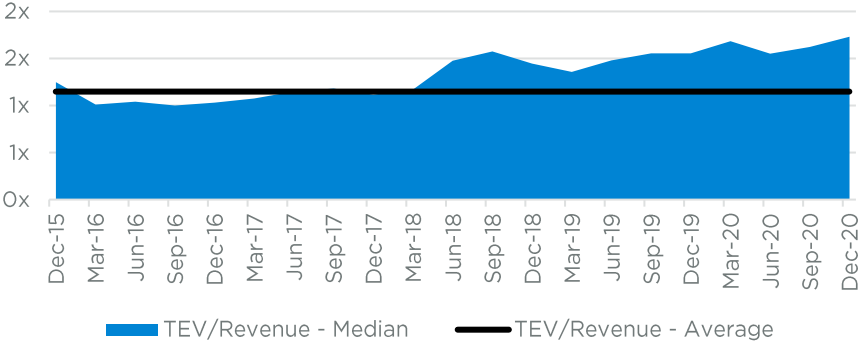
Public Basket



Public EBITDA Multiples over Time

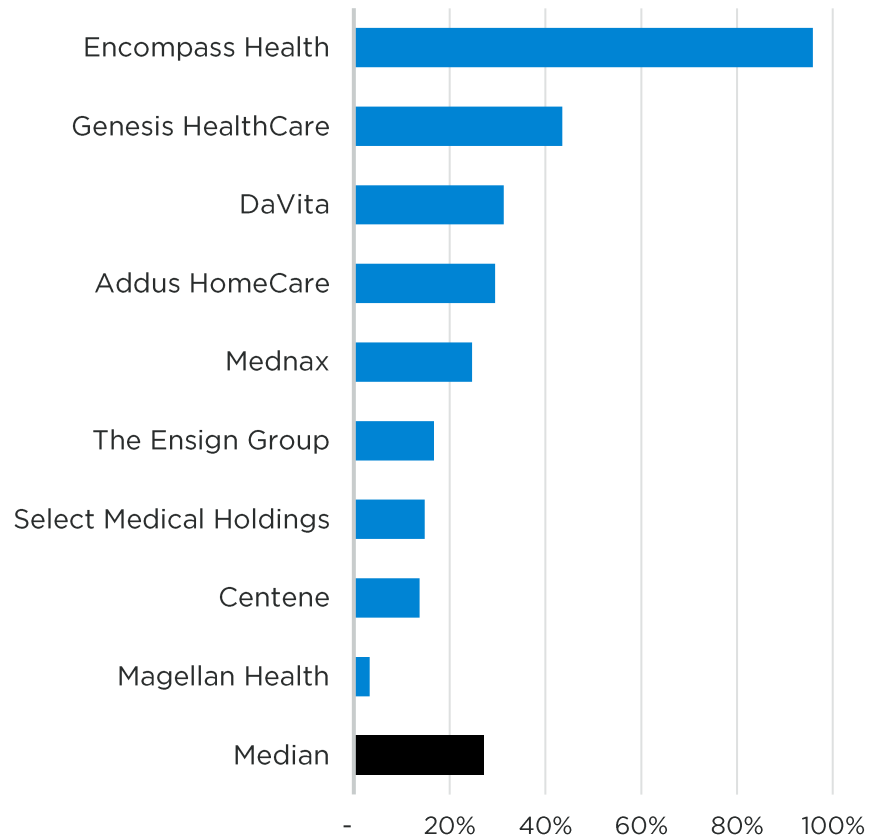


Public Revenue Multiples over Time

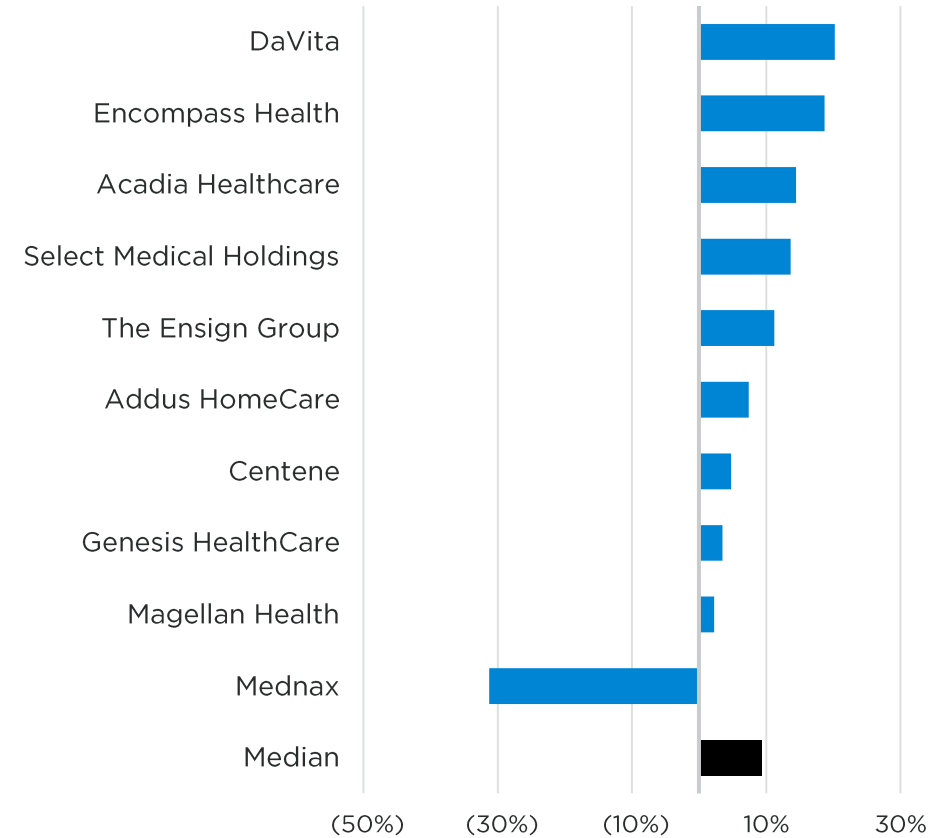


Operational Metrics

LTM Gross Profit Margin %

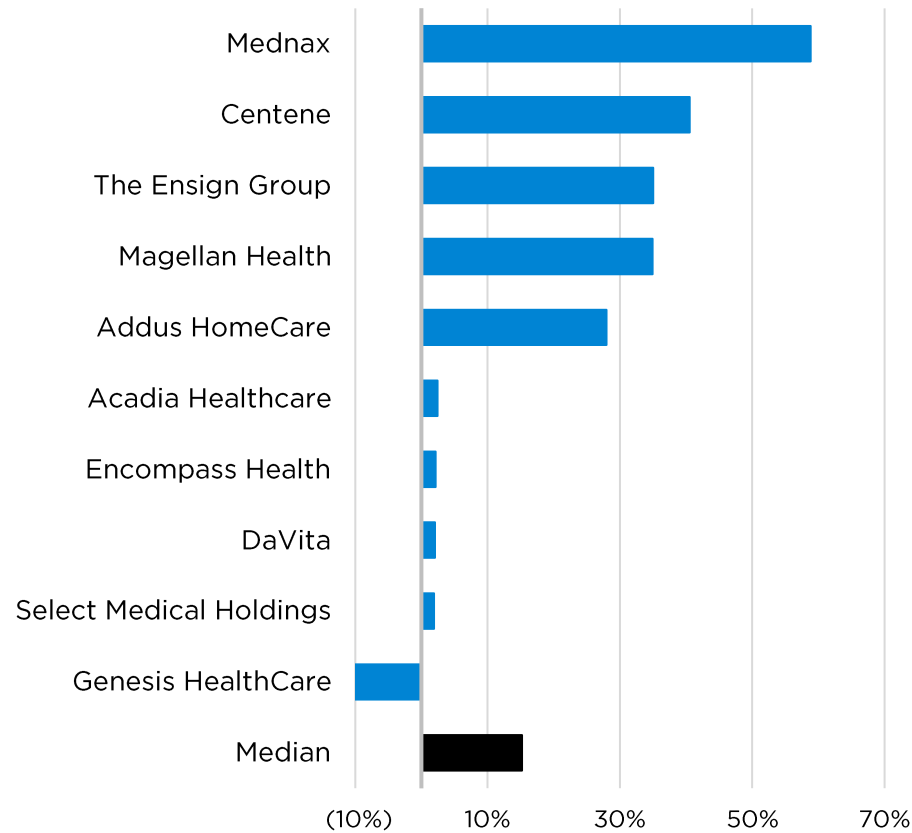


LTM EBITDA %

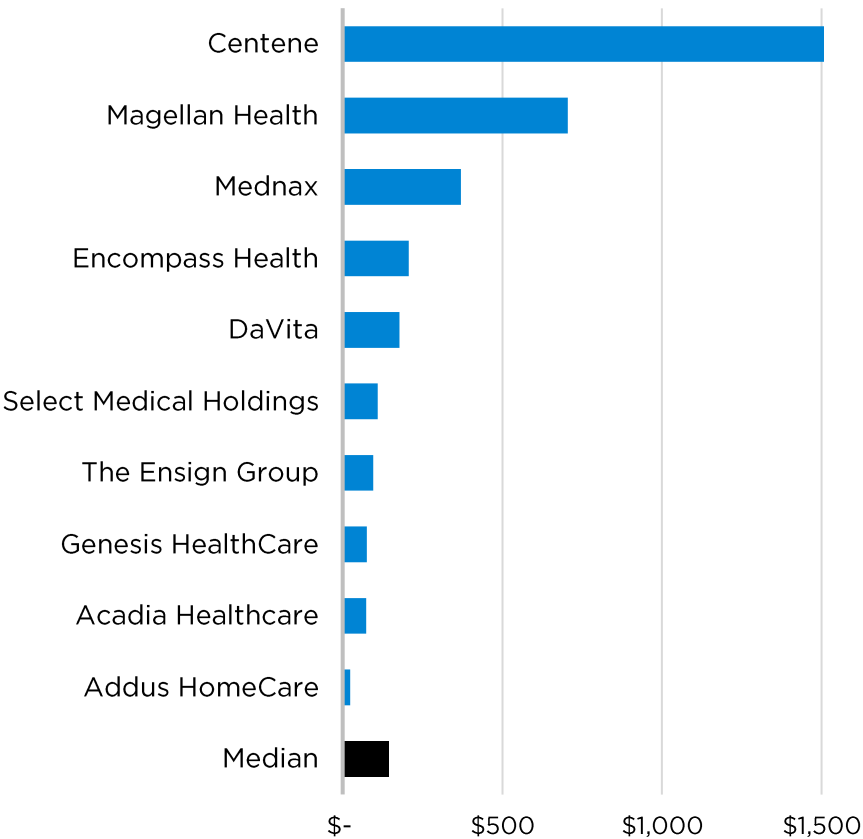


Operational Metrics

LTM Revenue Growth %

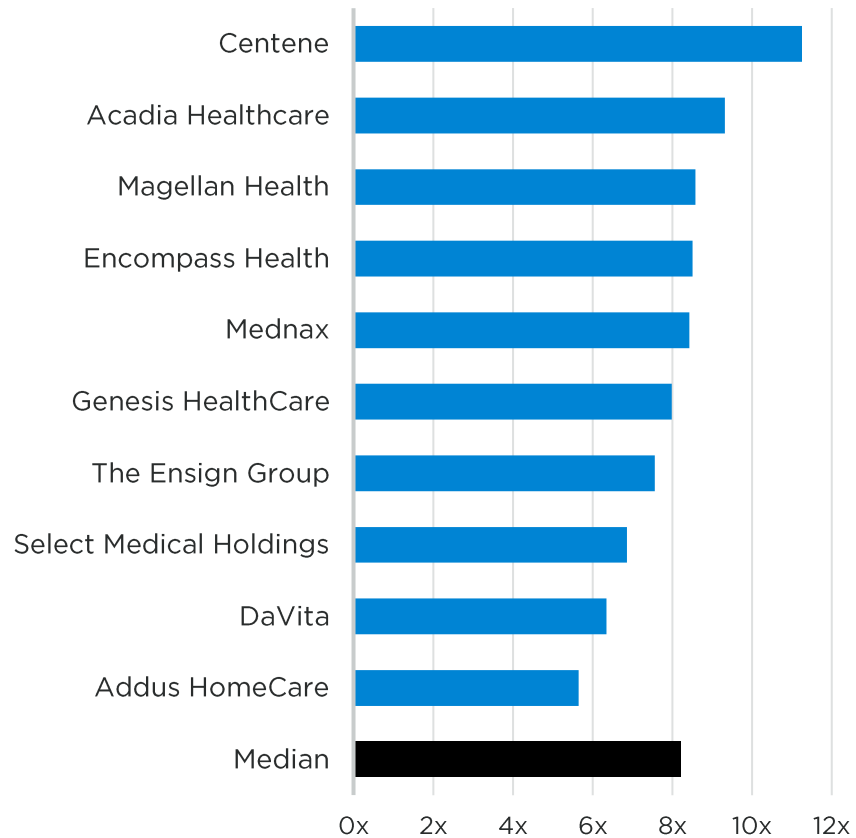


LTM Revenue per Full Time Employee x 000's

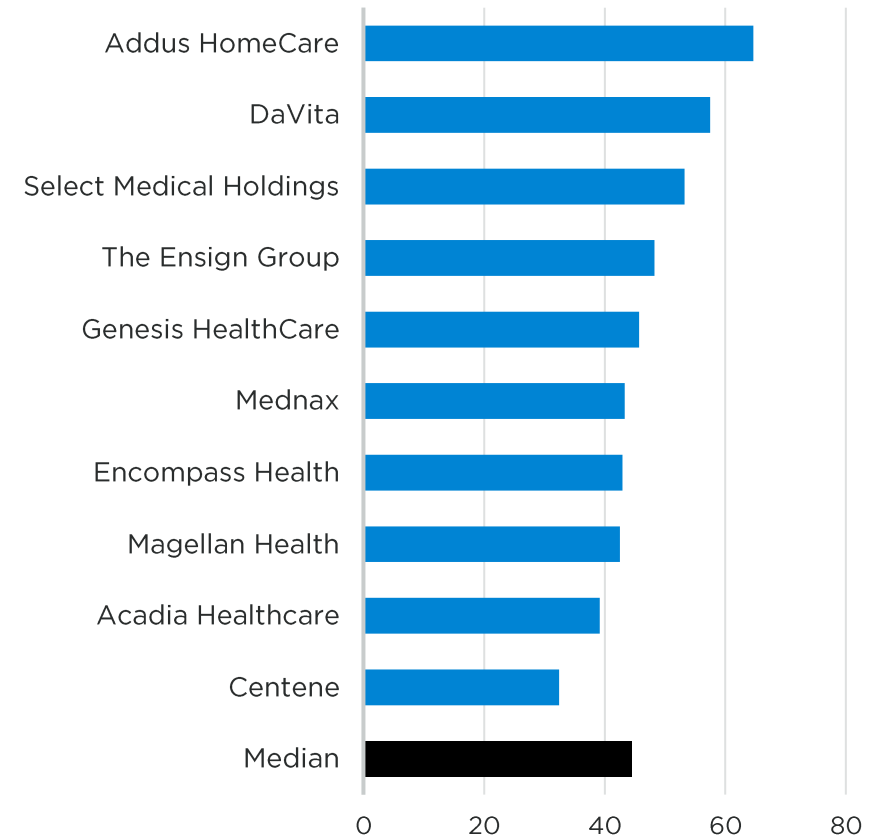


Operational Metrics

Accounts Receivable Turnover

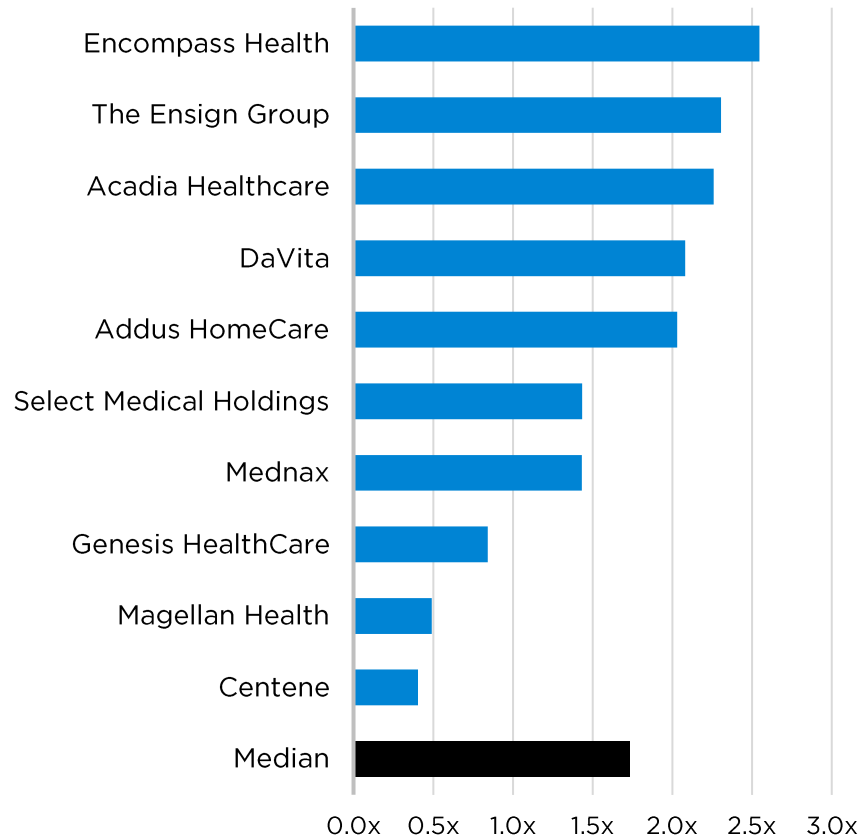


Average Days Sales Outstanding

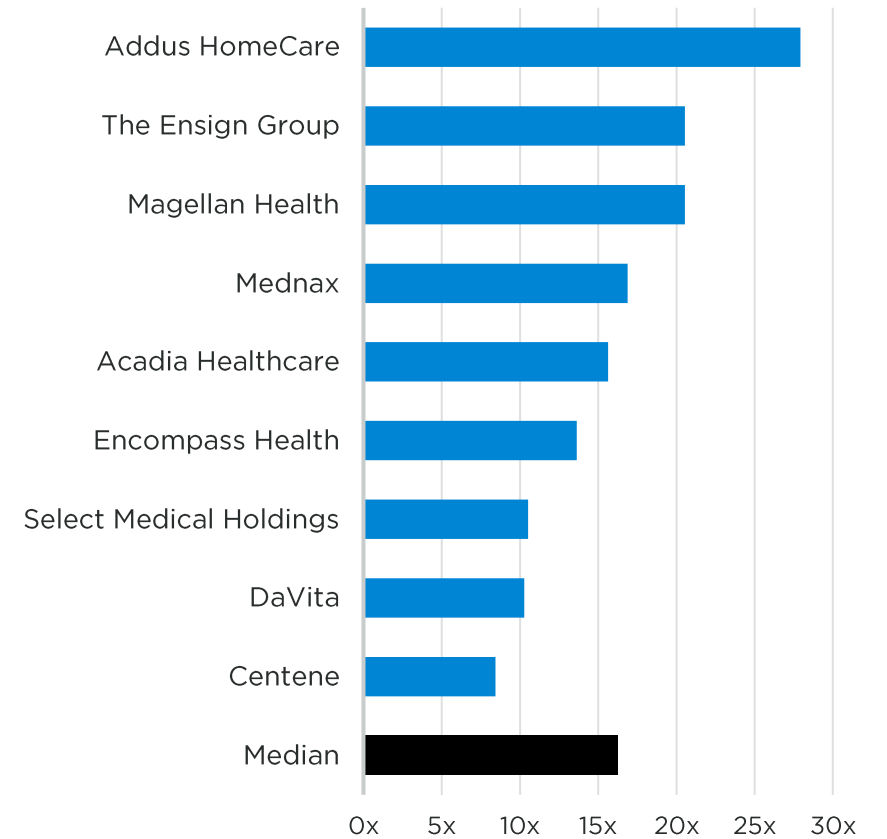


Valuation

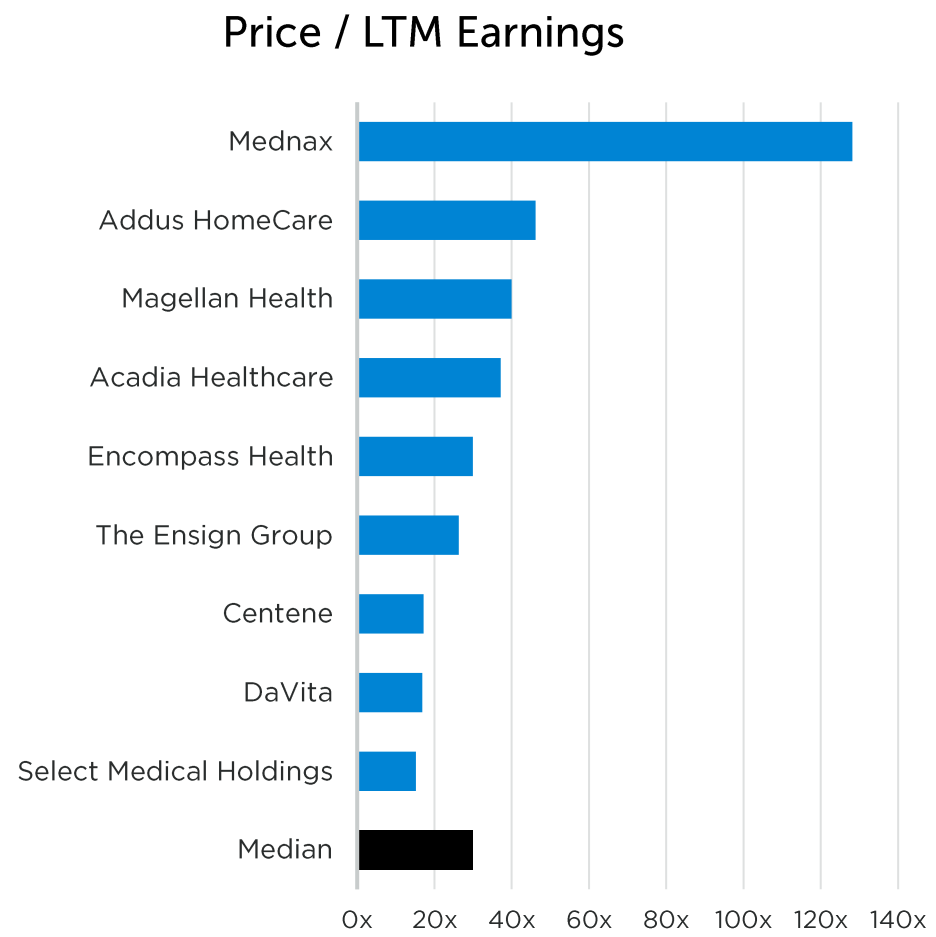
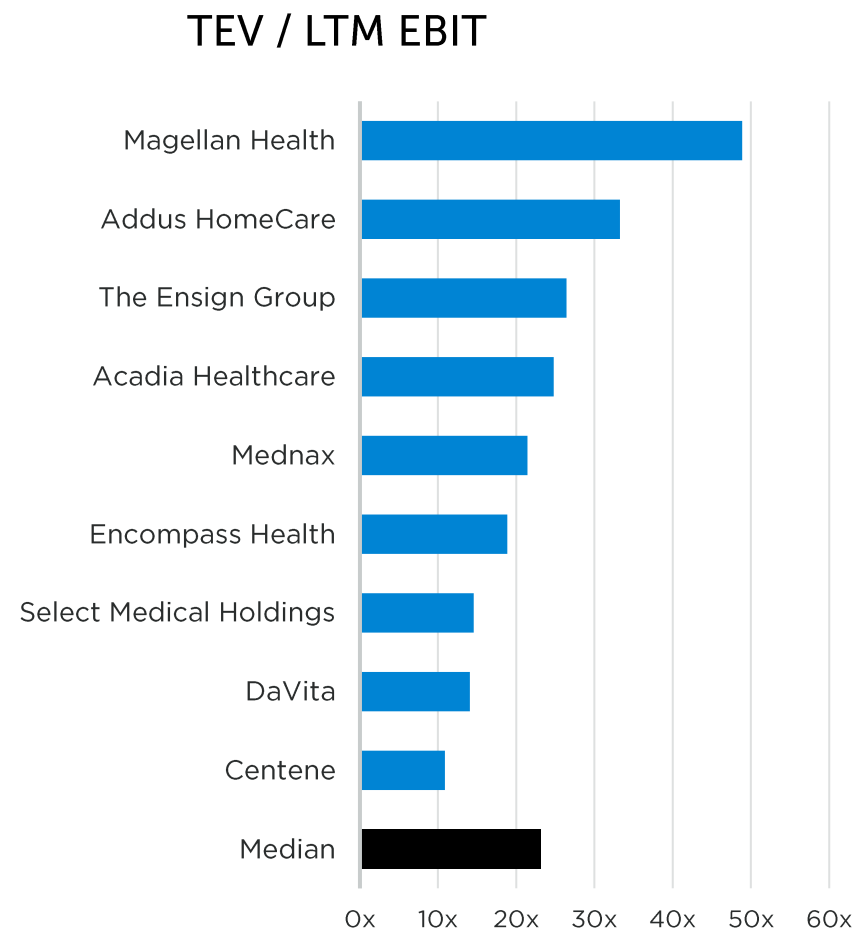
TEV / LTM Revenue



TEV / LTM EBITDA

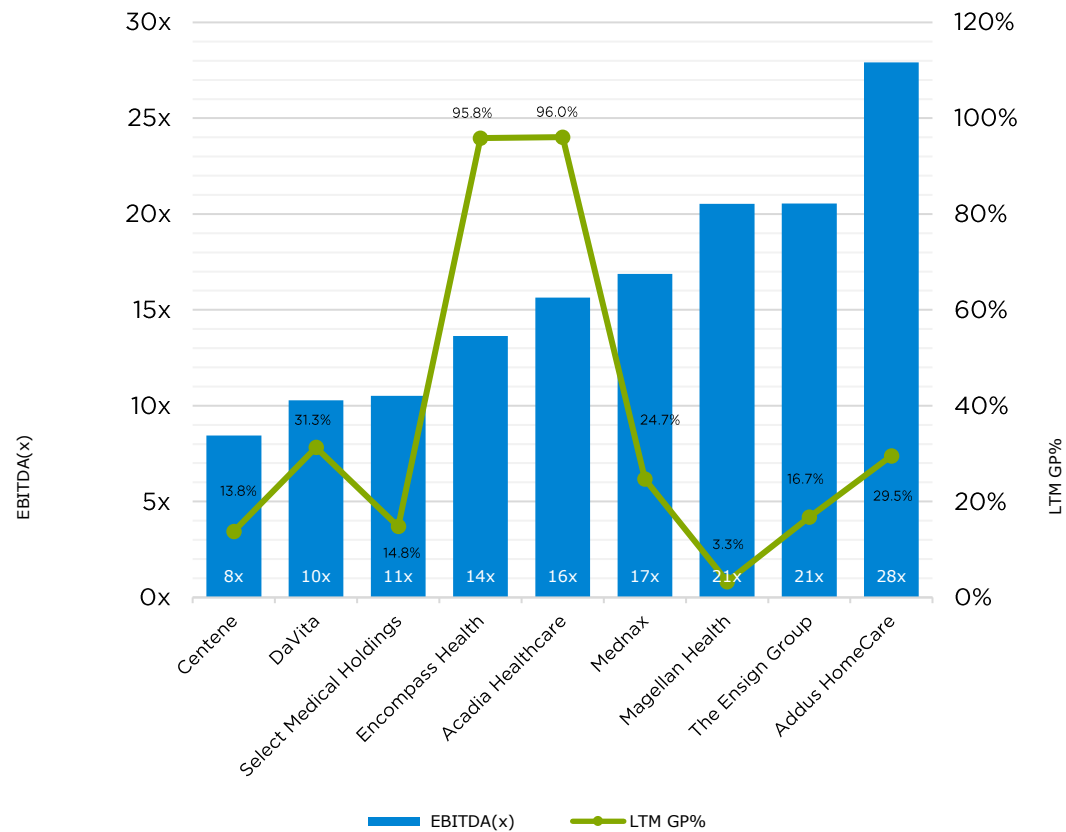


Valuation

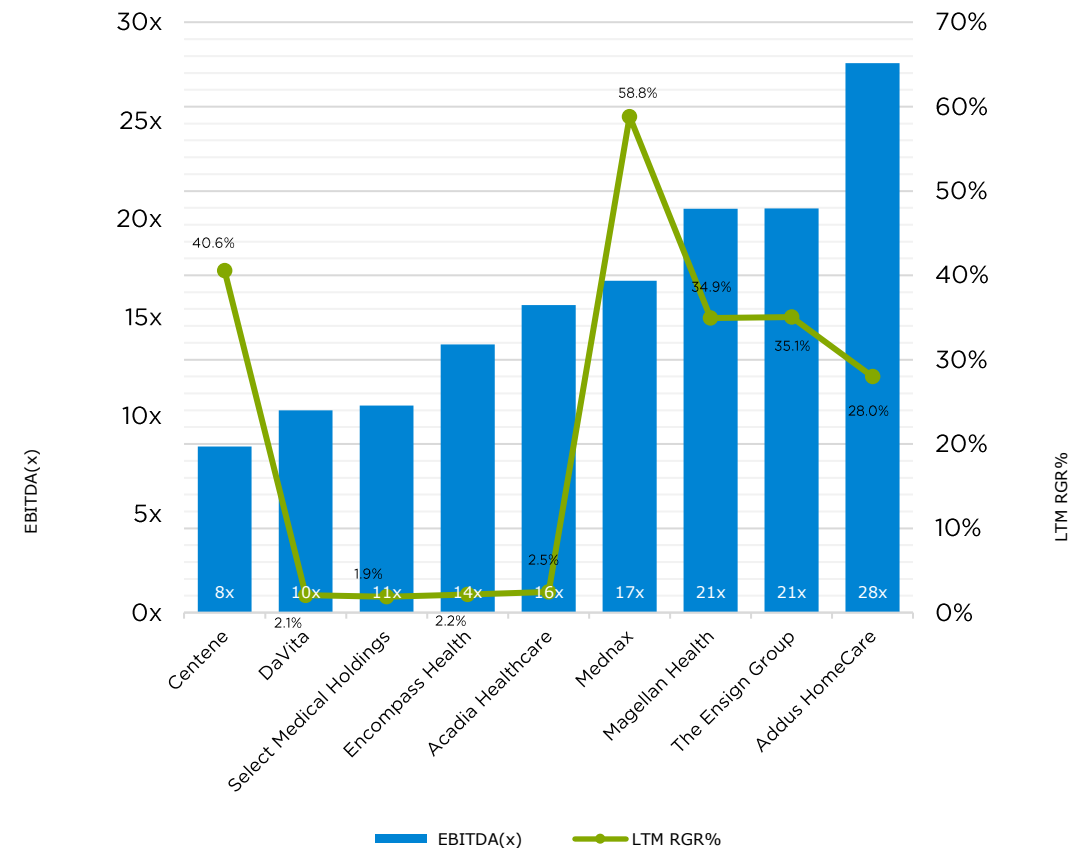


Valuation

Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions

Date	Target	Buyer	Total Transaction Amount	Target Revenue (TTM at time of deal)	TEV / Revenue	TEV / EBITDA
18-Nov-20	Retina Associates of Sarasota	Retina Group of Florida	-	-	-	-
16-Nov-20	Daniel Kingsley, O.D.	Atlantic Vision Partners	-	-	-	-
11-Nov-20	Access Medical Center	Capital Alignment Partners	-	-	-	-
04-Nov-20	Easy Allied Health	WELL Health Technologies	1.10	-	-	-
03-Nov-20	Omni Eye Specialists	Centre Partners	-	-	-	-
30-Oct-20	Palmetto Retina	Bailey Southwell & Co.	-	-	-	-
29-Oct-20	Harkaway Center for Dermatology and Aesthetics	LLR Partners	-	-	-	-
29-Oct-20	Westchester General Hospital	Keralty Health Enterprise	-	-	-	-
27-Oct-20	Rohr Eye & Laser Center	Ridgemont Equity Partners	-	-	-	-
21-Oct-20	Momentum Autism Therapy Services	Blue Sprig Pediatrics	-	-	-	-
19-Oct-20	Vital Care Home Infusion Services	Linden Capital Partners	-	-	-	-
14-Oct-20	Precision Healthcare	Health Velocity Capital	20.00	-	-	-
14-Oct-20	Senior Physical Therapy Services	Arete Rehabilitation	-	-	-	-
13-Oct-20	Northside Medical Associates	Complete Health	-	-	-	-
05-Oct-20	Family Behavioral Resources	Atar Capital	-	-	-	-
01-Oct-20	Gentle Care Home Services	Bridges Health Services	-	-	-	-
17-Sep-20	CPN Biosciences	Organogenesis	19.00	-	-	-
17-Sep-20	Ocean Obstetrics and Gynecologic Associates	Audax Group	1.38	-	-	-
15-Sep-20	Paragon Healthcare	Peak Rock Capital	262.50	-	-	-

Appendix

*Public Basket
Contact Information*



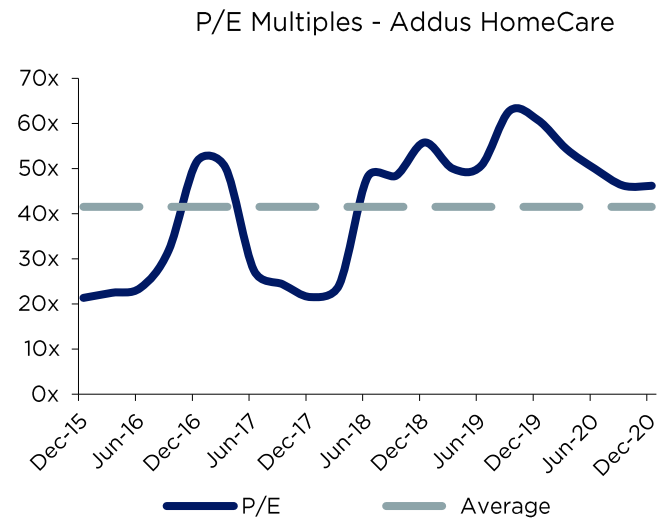
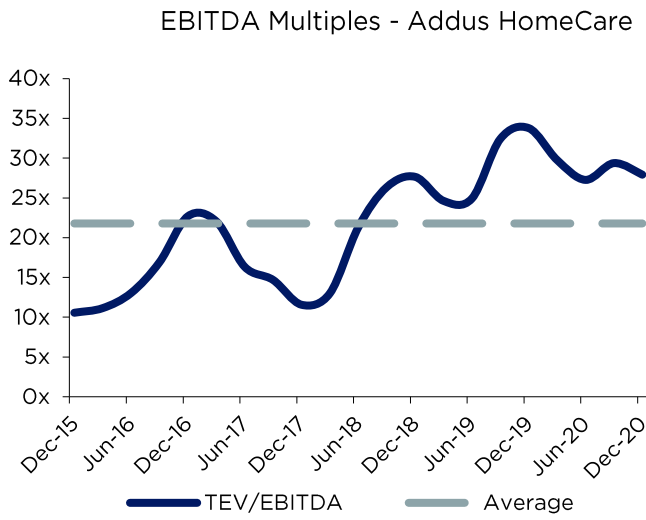
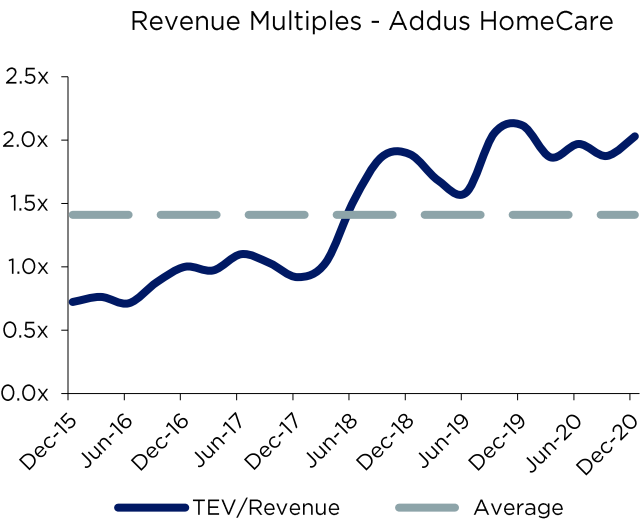
Addus HomeCare

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

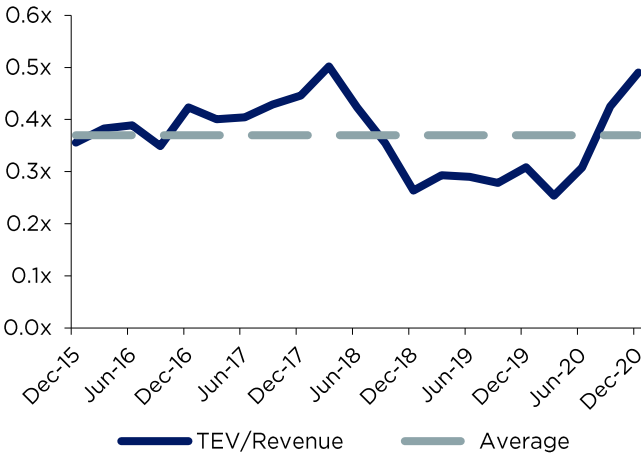
Magellan Health provides healthcare management services to health plans and other managed care organizations, employers, labor unions, United States government agencies, and third-party administrators.

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.

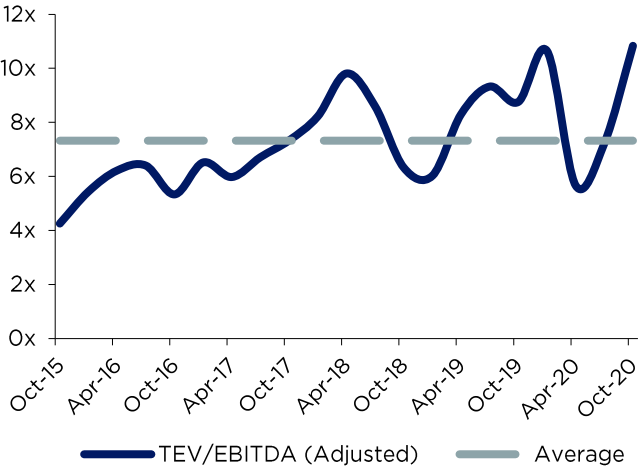
Public Basket

Magellan Health

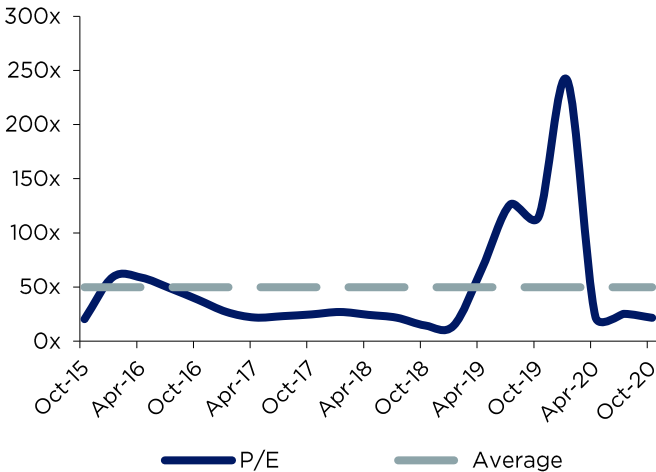
Revenue Multiples - Magellan Health



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.

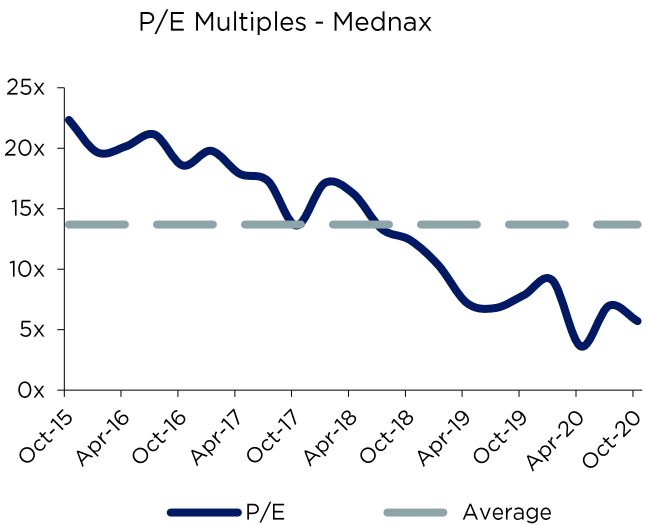
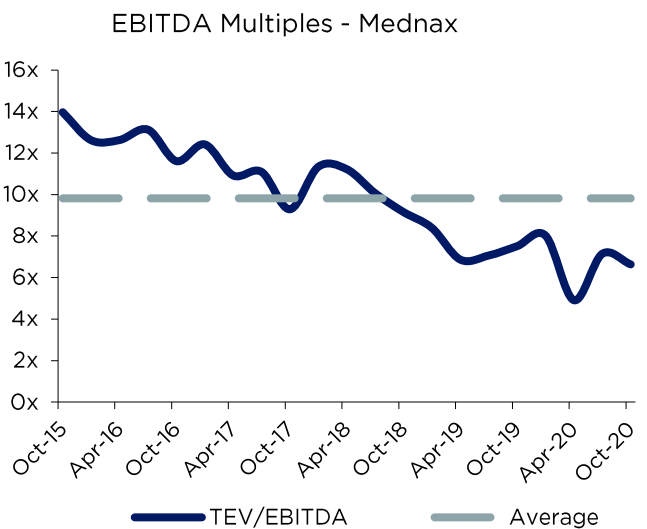
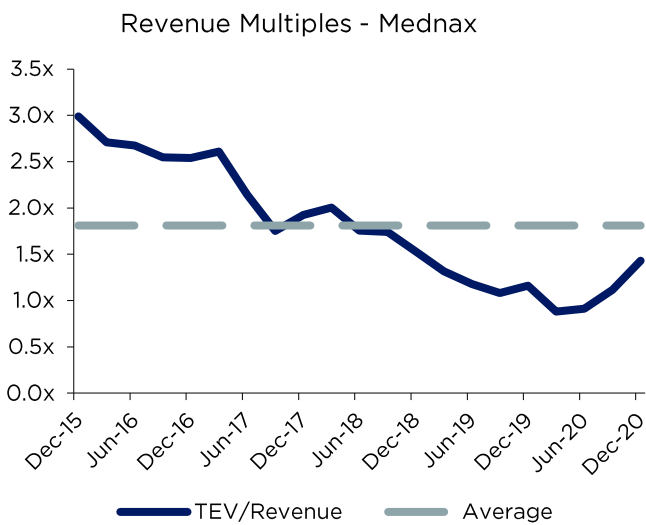
Mednax

Mednax provides physician services to hospitals, intensive care units, and other medical units.

The services provided by the company include maternal care for expectant mothers, intensive care for premature babies, cardiology care for infants suffering from heart defects, and anesthesia care during surgeries, among others. The company operates only under one segment, which is physician services. Mednax generates roughly half of its revenue from the women's and children's services provided, and also roughly half of the company's total revenue is earned in the United States.

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.

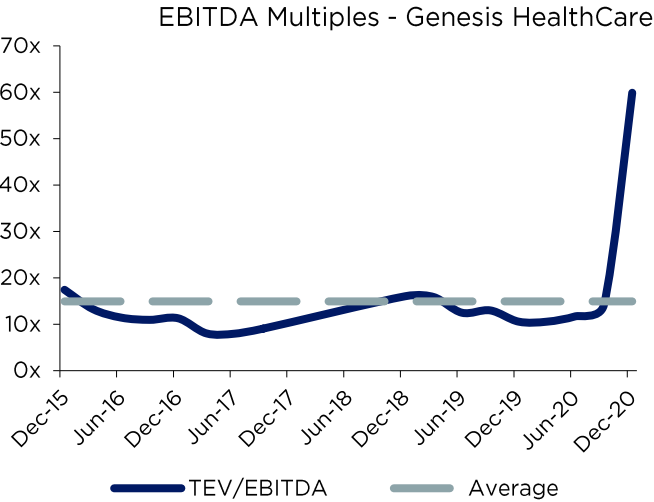
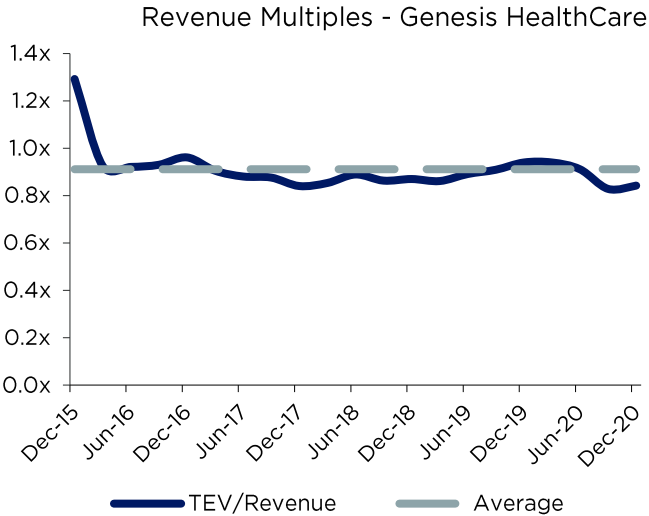
Genesis HealthCare

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.

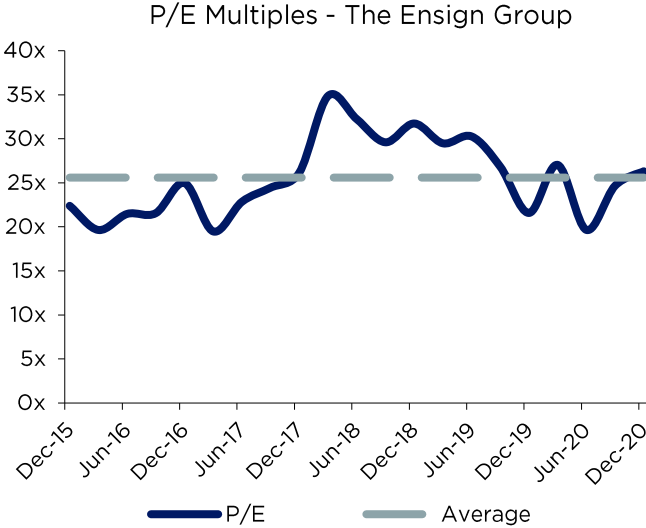
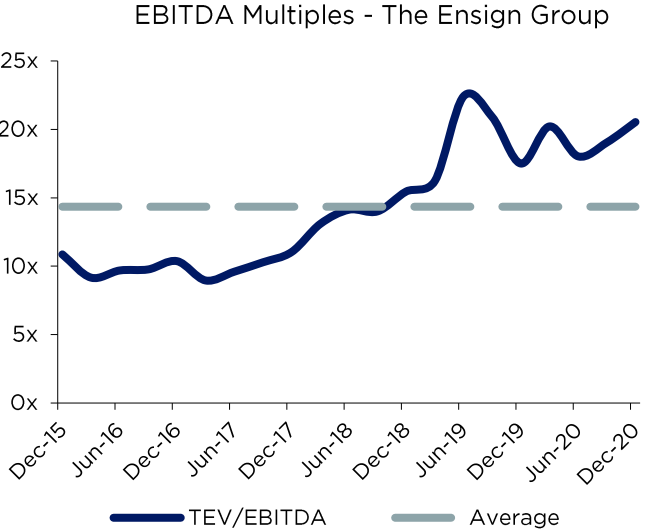
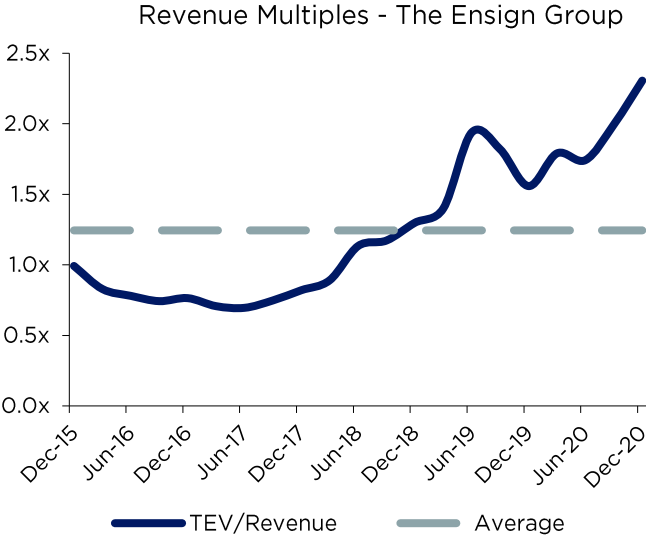
The Ensign Group

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.

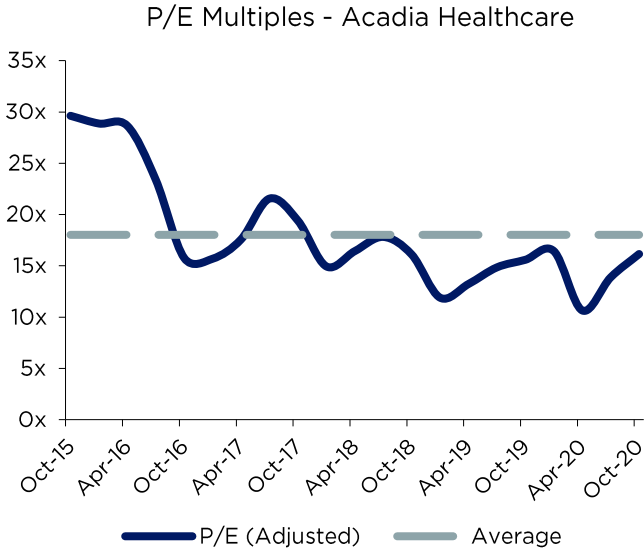
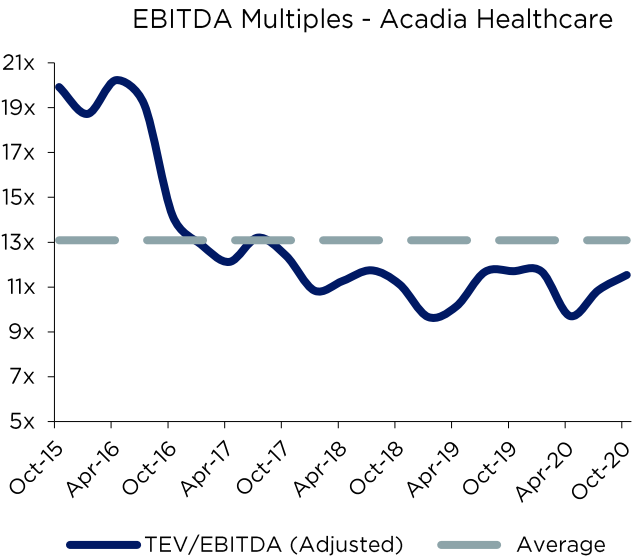
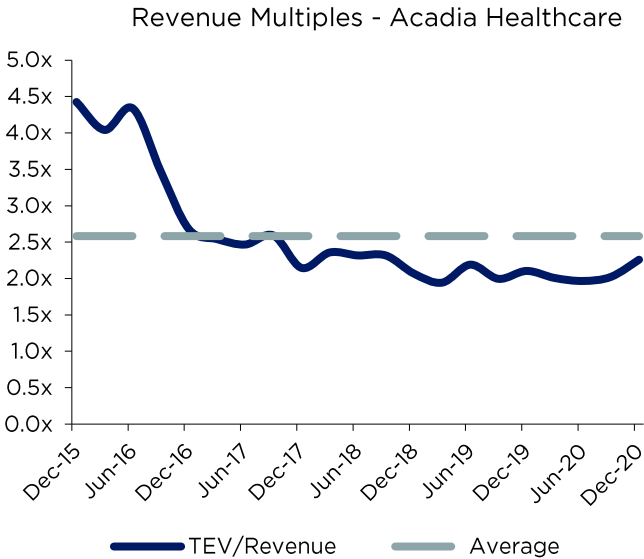
Acadia Healthcare

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
Tower Behavioral Health	14-Jul-20	The company was formed as a joint venture between Acadia Healthcare and Tower Health on July 14, 2020.
Bradford Recovery Center	01-Apr-19	The company was acquired by Acadia Healthcare (NAS: ACHC) for \$4.5 million on April 1, 2019.

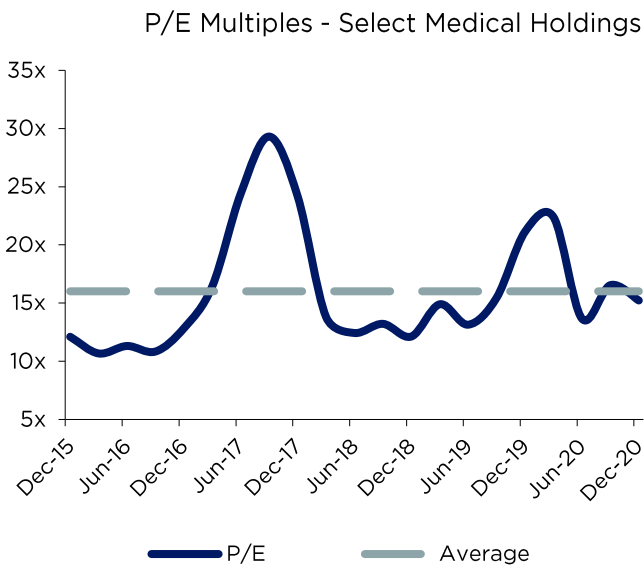
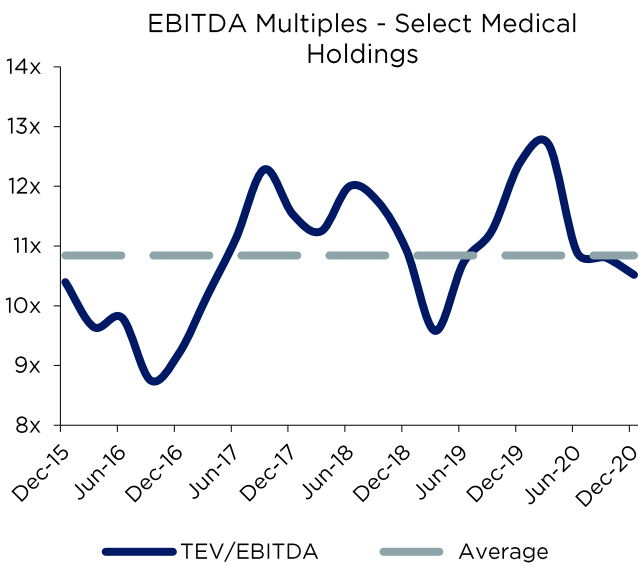
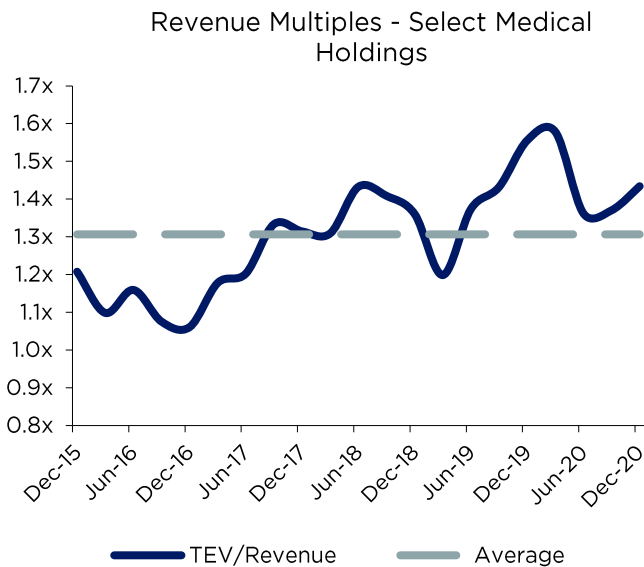
Select Medical Holdings

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.

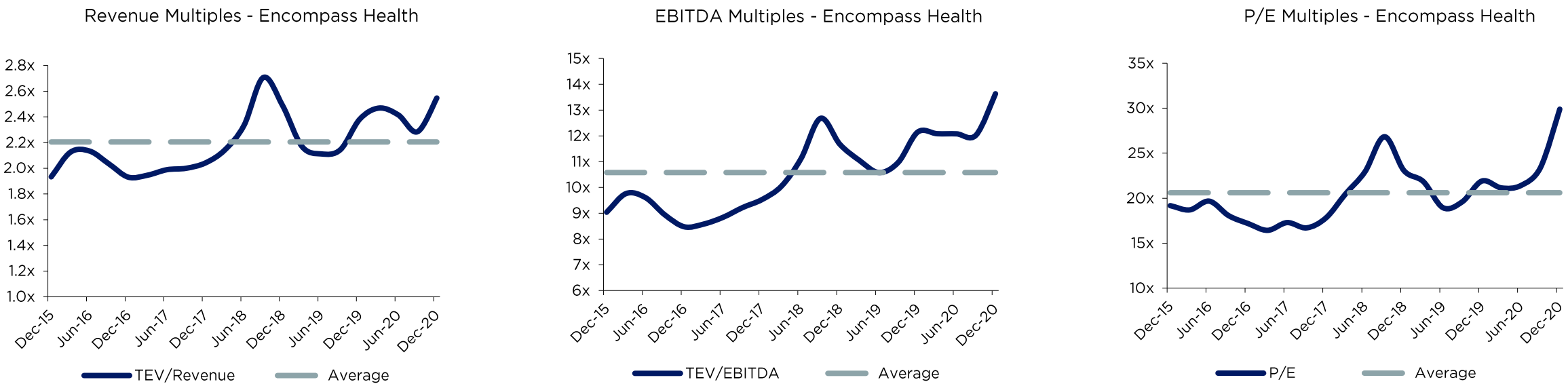
Encompass Health

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



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.

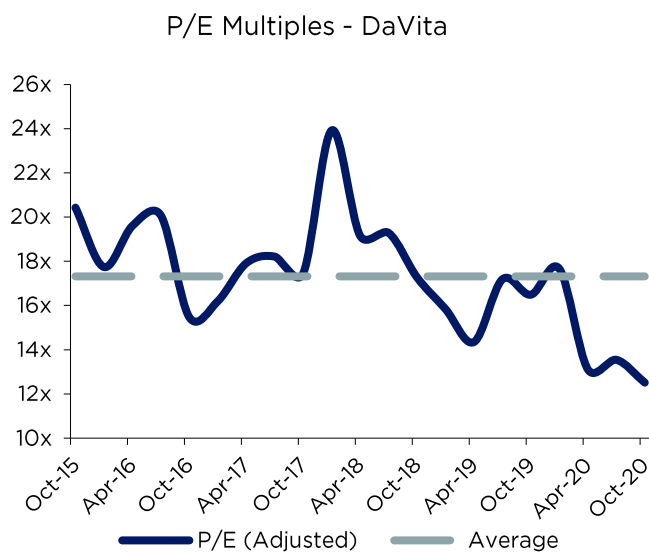
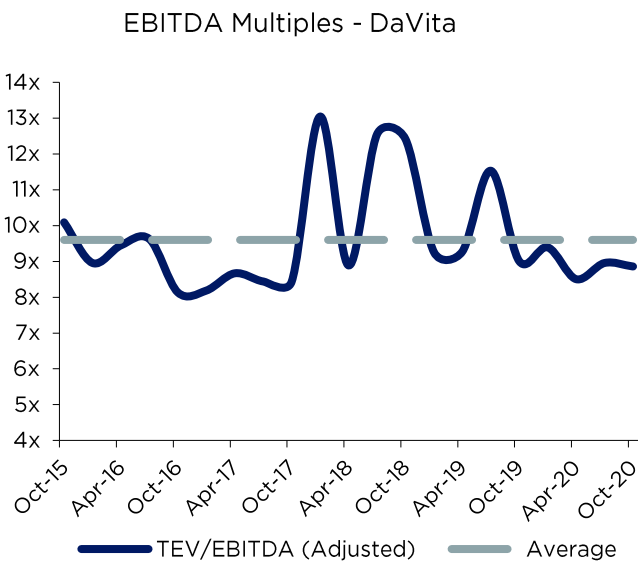
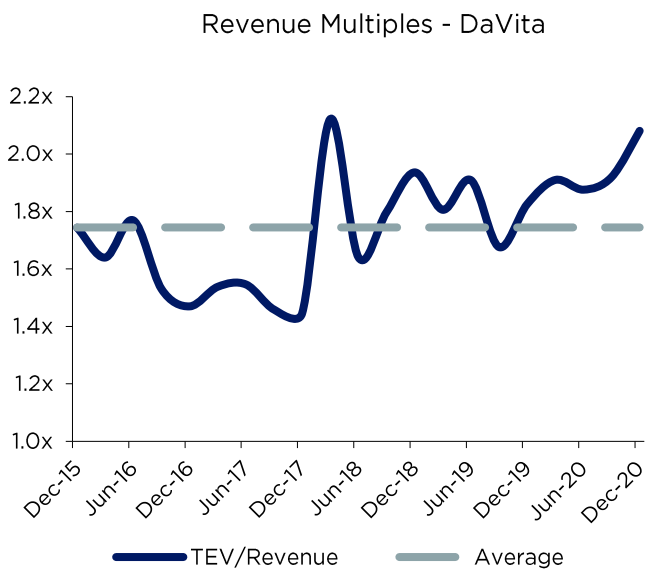
DaVita

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



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, Portofolia, Esplanade Healthtech Ventures, Rock Health, AXA Venture Partners and I2BF Global Ventures also participated in the round.

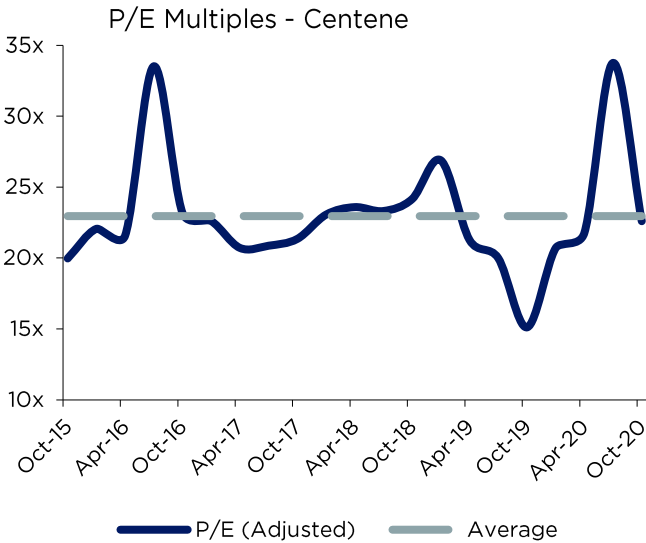
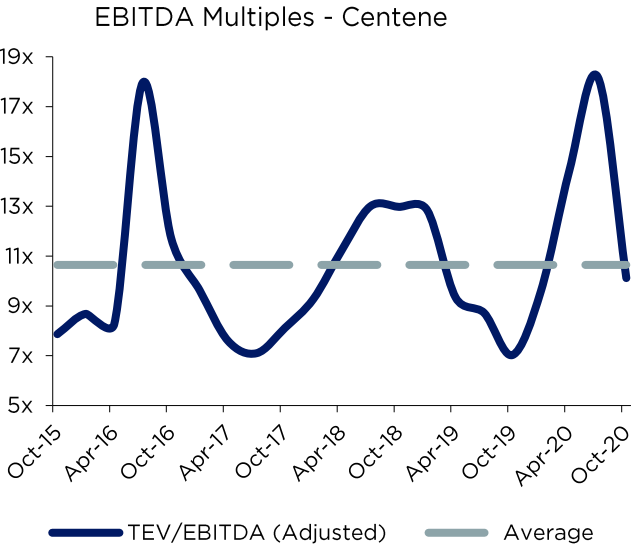
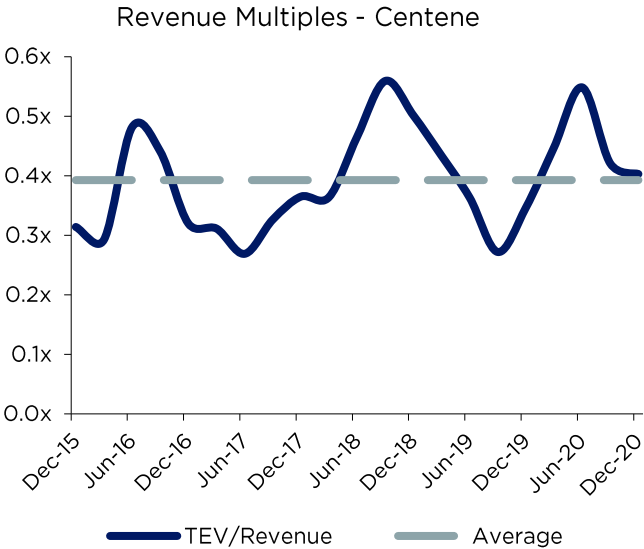
Centene

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	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.
Babylon (Information Services B2C)	01-Aug-19	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

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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