

7 Mile Advisors



# Sectorwatch:

## Healthcare - Specialty Care

Q3 2021



# 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.

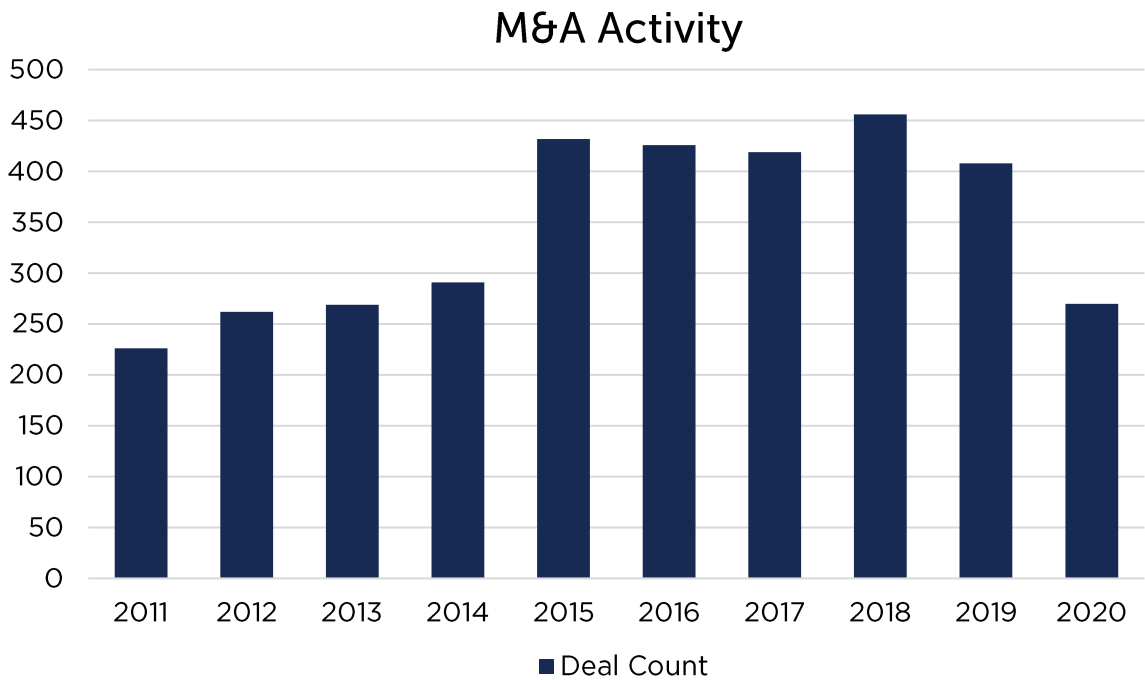
## RECENT DEALS

- The most recently announced deals in the sector

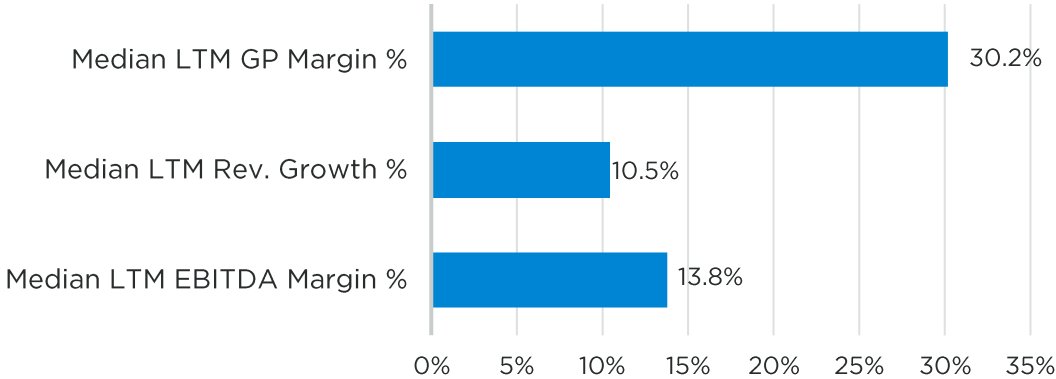
# Dashboard

## REVENUE GROWTH MOMENTUM ↑ 4.2%

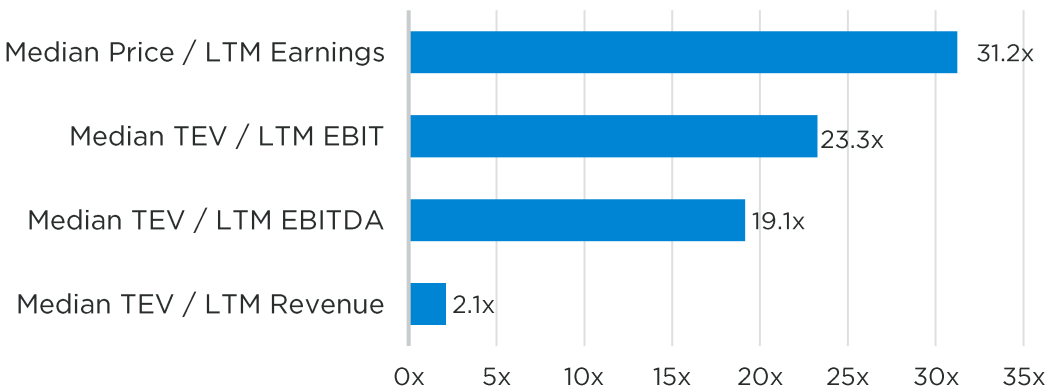
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing



## Operating Metrics



## Valuation

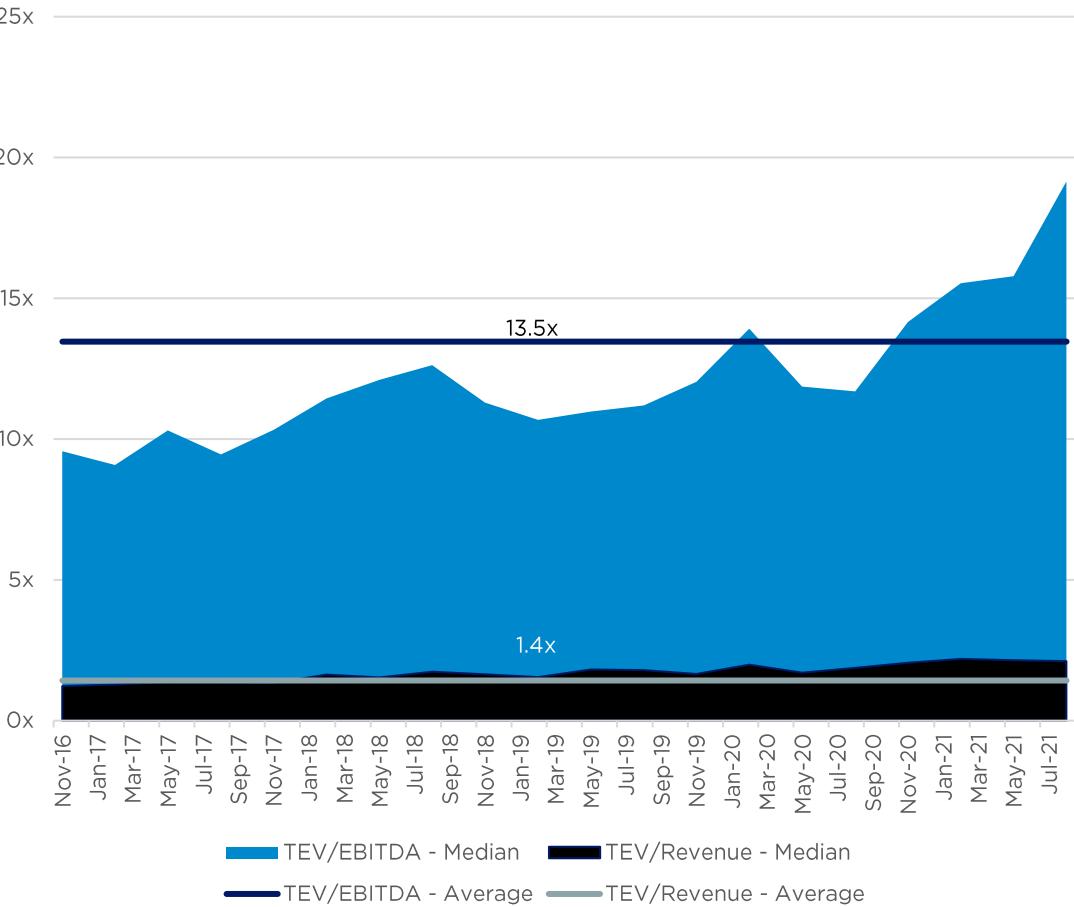


# Public Basket

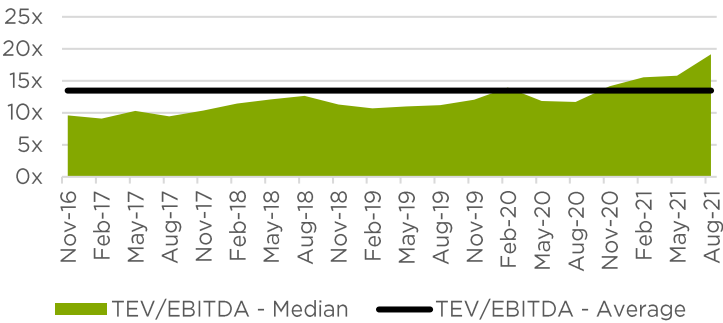
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Addus HomeCare	1,552	57	813	10.5%	30.2%	6.9%	1.9x	27.5x	35,139	23
Mednax	3,536	173	1,797	1.5%	26.3%	9.6%	2.0x	22.4x	3,600	499
The Ensign Group	5,631	294	2,494	11.0%	17.3%	11.8%	2.3x	19.1x	24,400	102
Acadia Healthcare	7,149	410	1,967	10.6%	36.7%	20.9%	3.6x	19.1x	42,200	47
Select Medical Holdings	9,241	1,053	5,995	10.7%	16.4%	17.6%	1.5x	8.8x	49,600	121
Encompass Health	11,564	1,055	4,906	6.6%	95.8%	21.5%	2.4x	11.0x	22,383	219
DaVita	26,372	2,348	11,566	0.4%	31.4%	20.3%	2.3x	11.2x	67,000	173
Centene	42,742	1,955	118,386	29.3%	11.9%	1.7%	0.4x	21.9x	71,300	1,660
<b>Average</b>	13,473	918	18,491	10.1%	33.2%	13.8%	2.0x	17.6x	39,453	356
<b>Median</b>	8,195	732	3,700	10.5%	28.3%	14.7%	2.1x	19.1x	38,670	147

share price as of 13Aug21

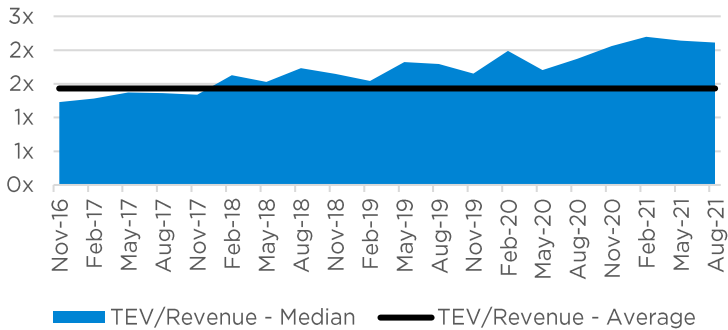
# Public Basket



Public EBITDA Multiples over Time

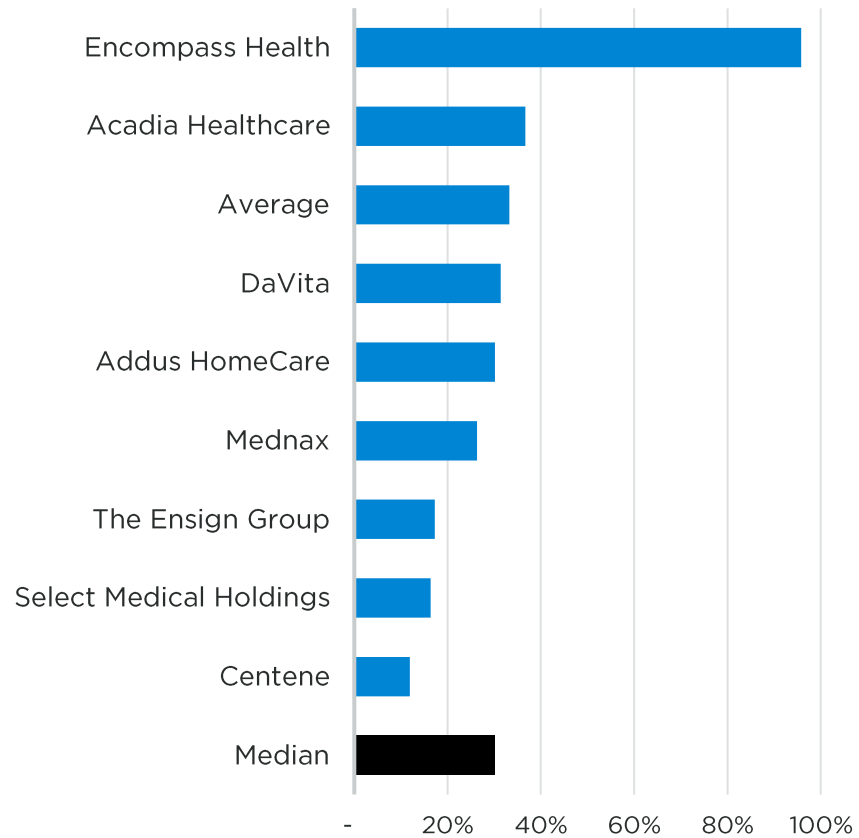


Public Revenue Multiples over Time

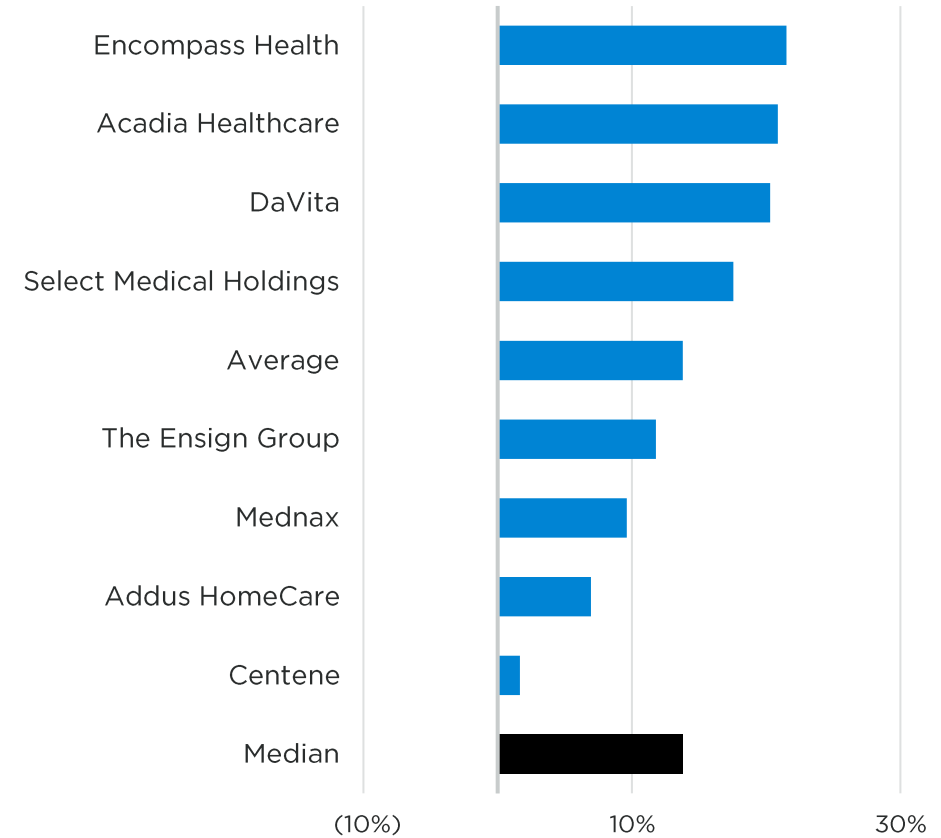


# Operational Metrics

LTM Gross Profit Margin %

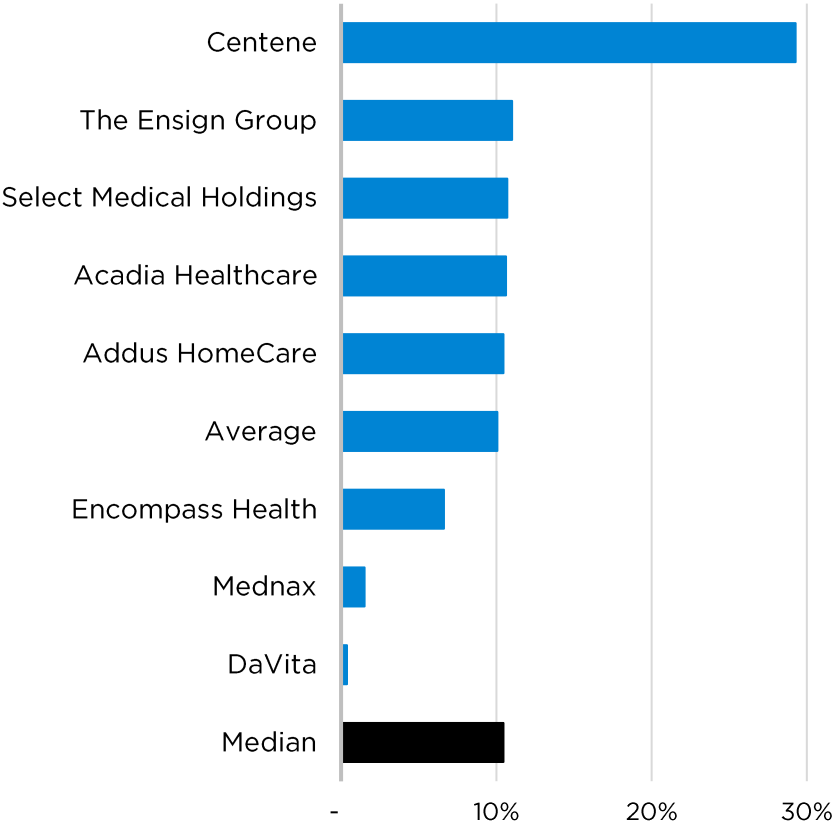


LTM EBITDA %

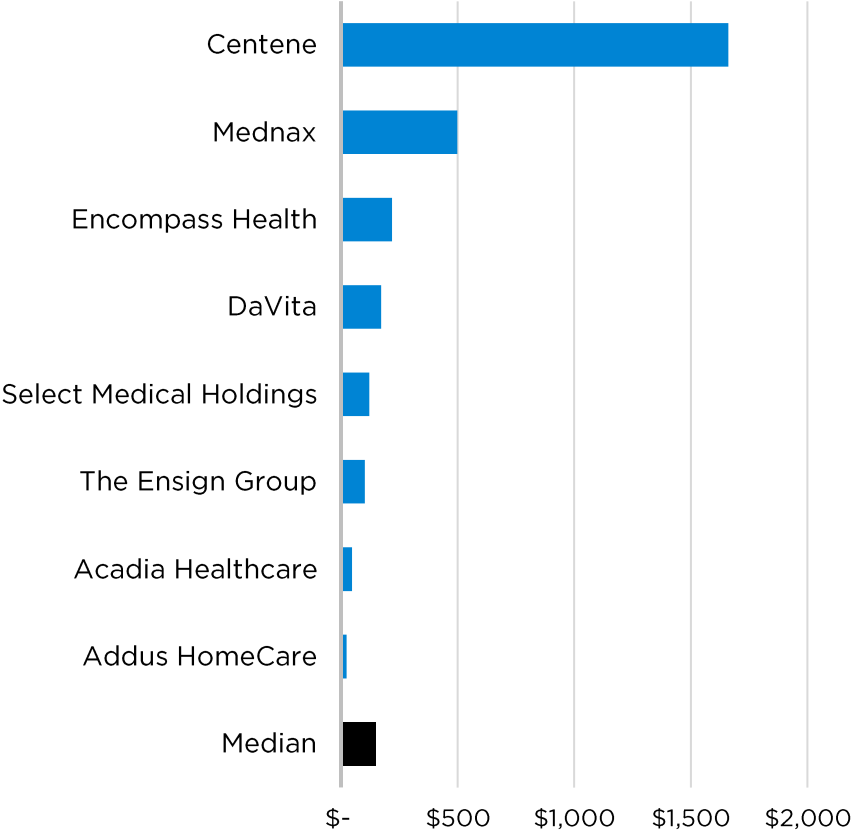


# Operational Metrics

LTM Revenue Growth %



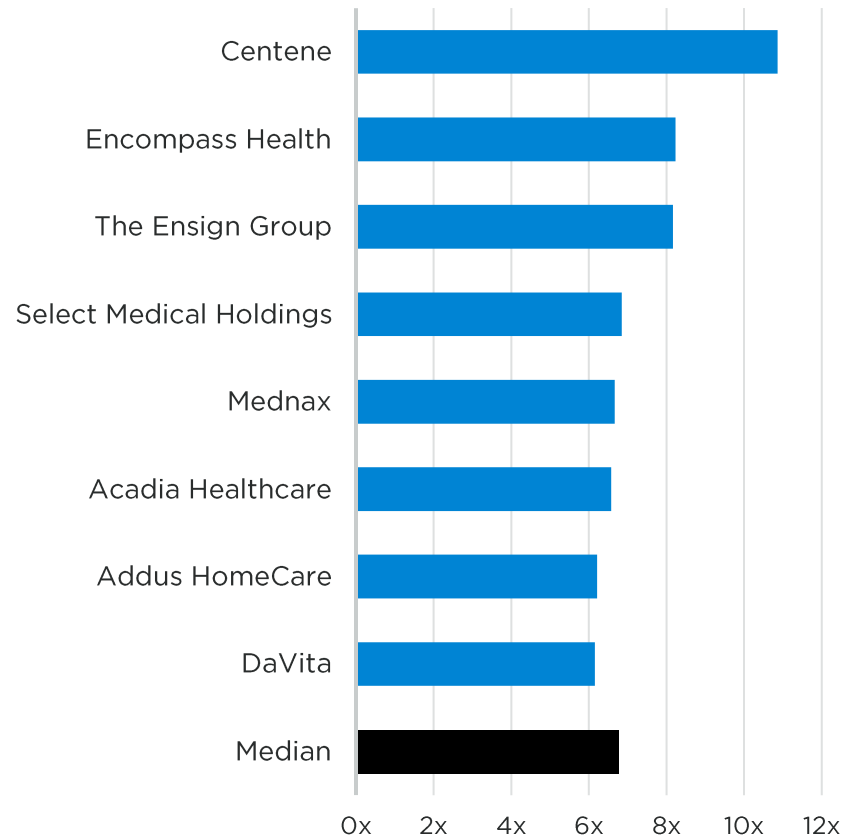
LTM Revenue per Full Time Employee x 000's



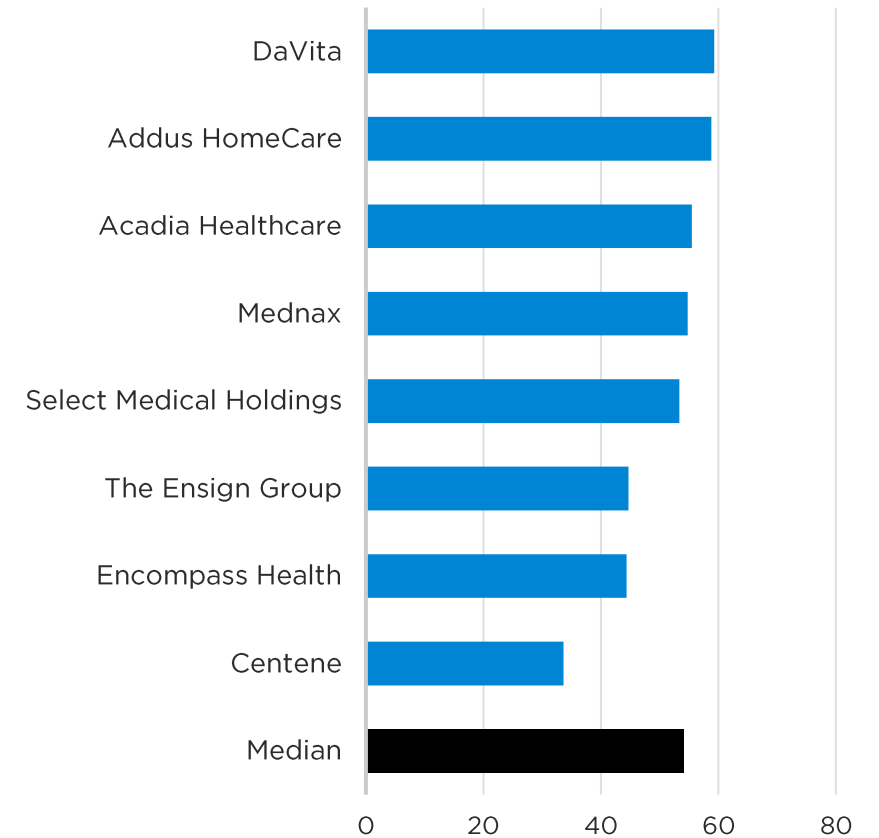


# Operational Metrics

## Accounts Receivable Turnover

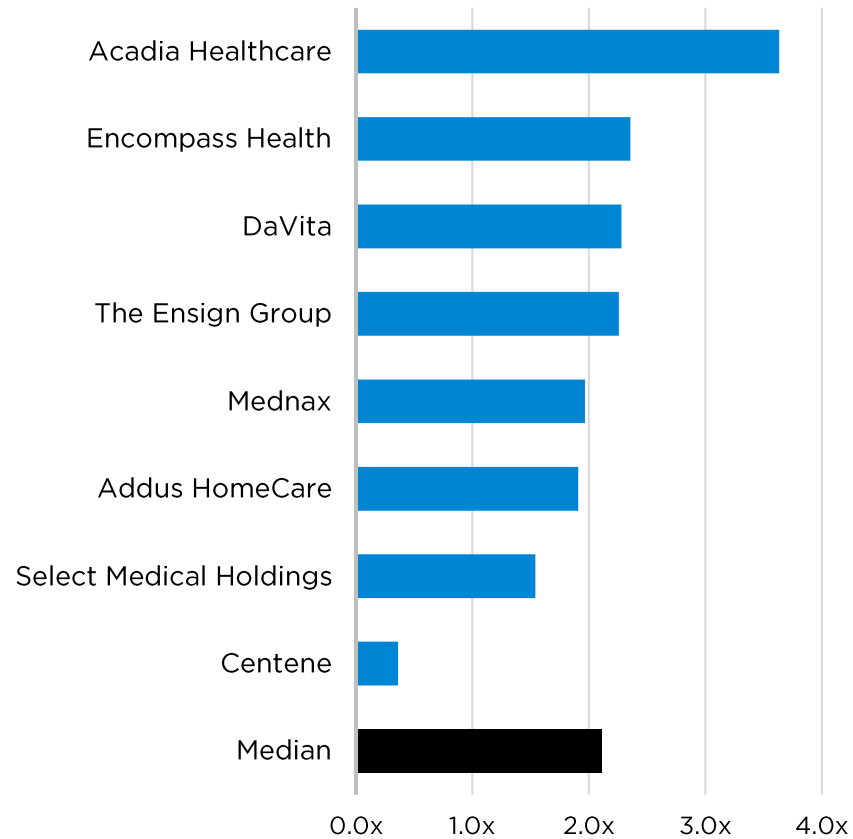


## Average Days Sales Outstanding

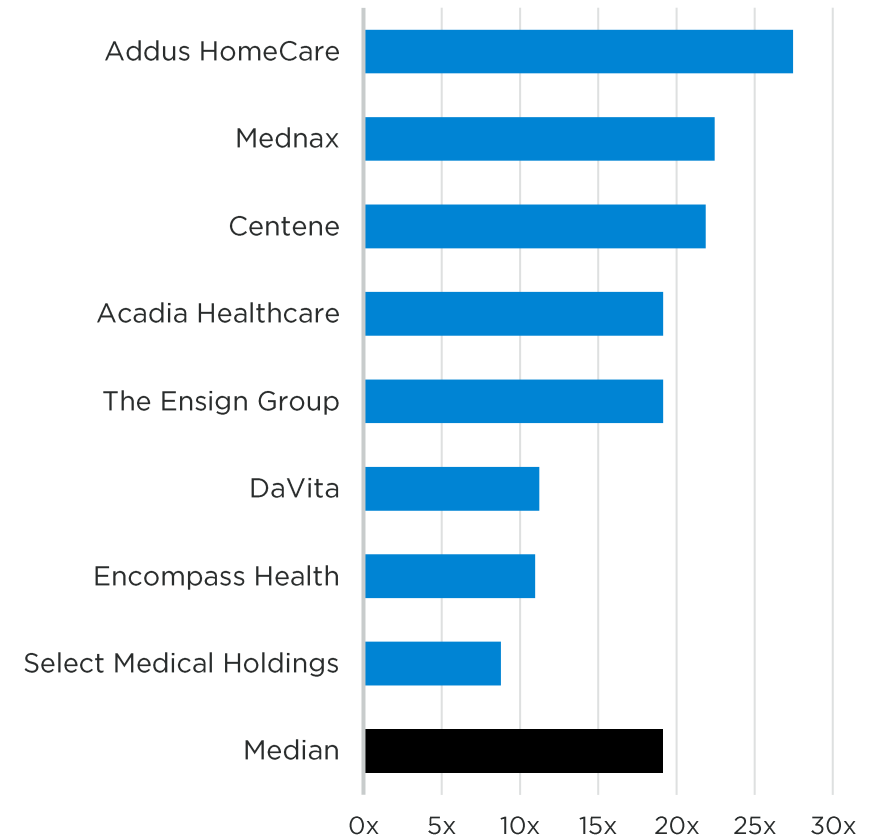


# Valuation

TEV / LTM Revenue

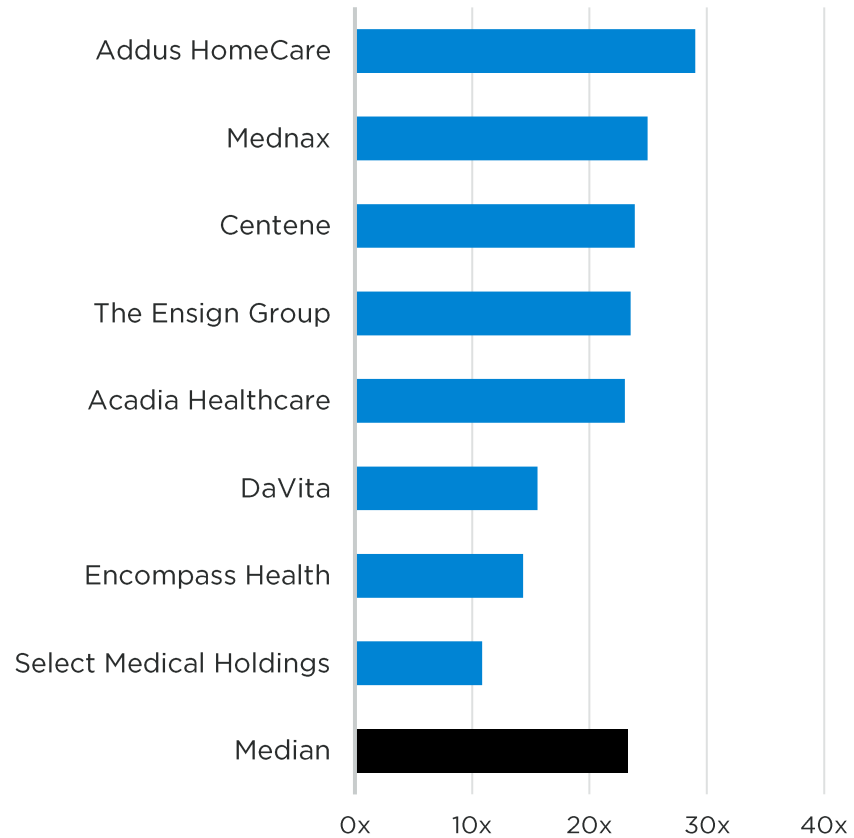


TEV / LTM EBITDA

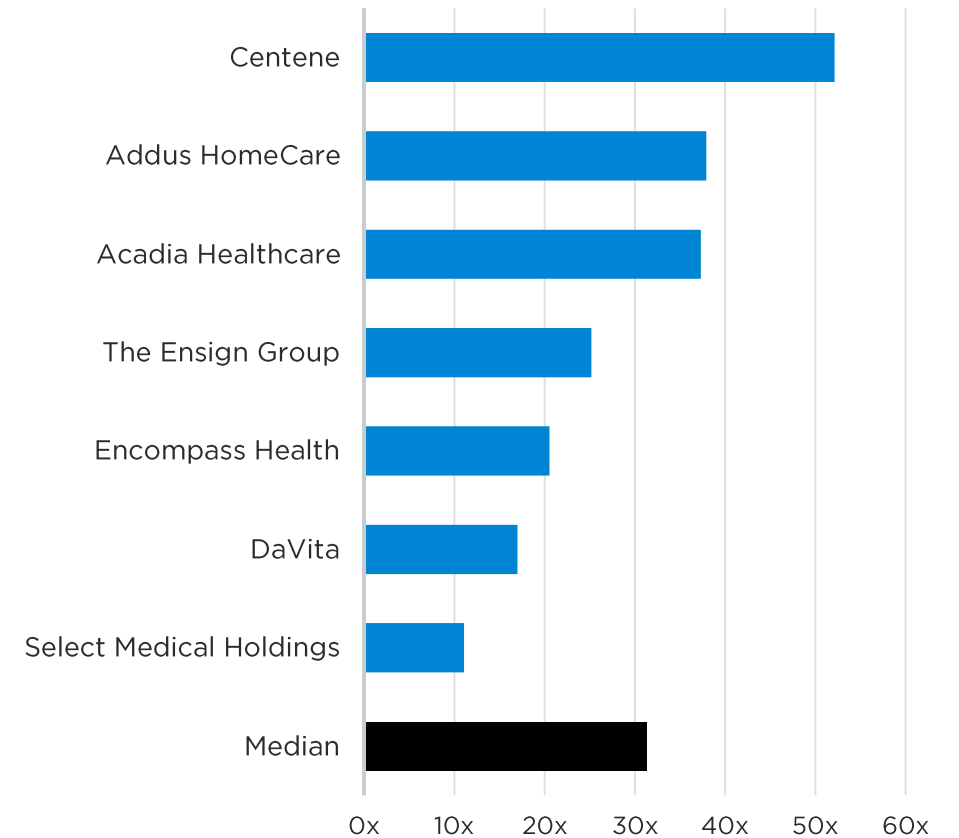


# Valuation

TEV / LTM EBIT

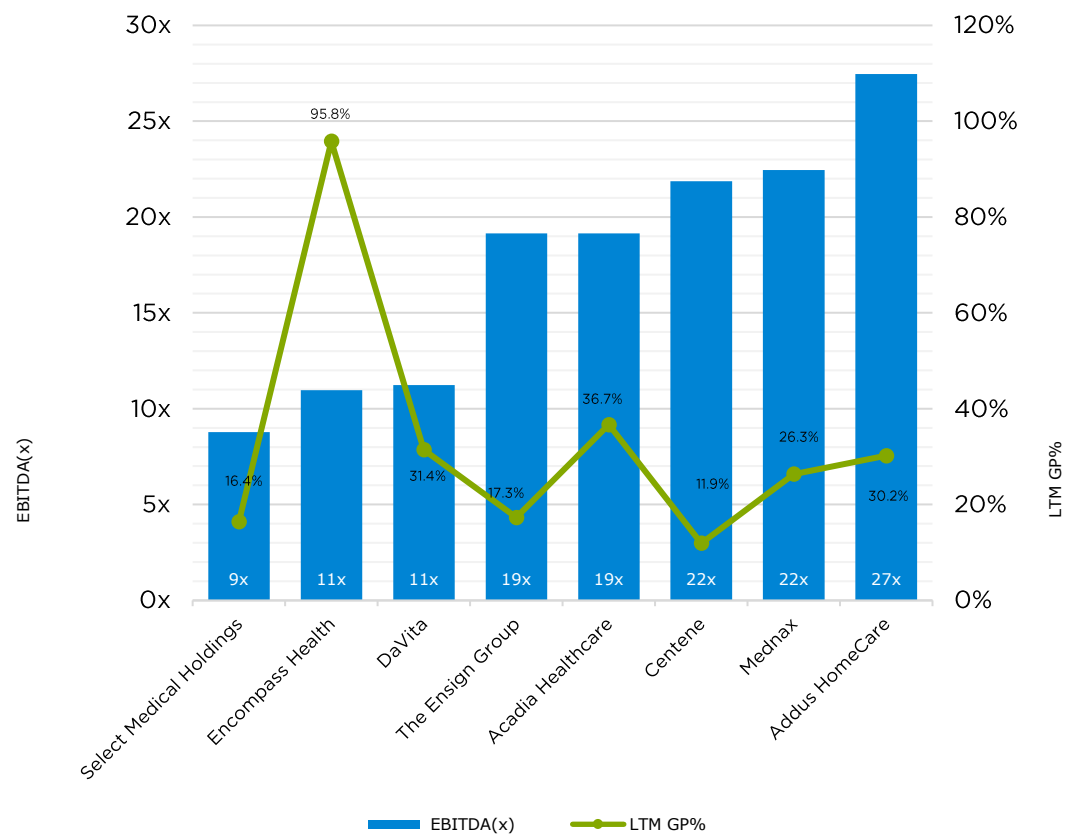


Price / LTM Earnings

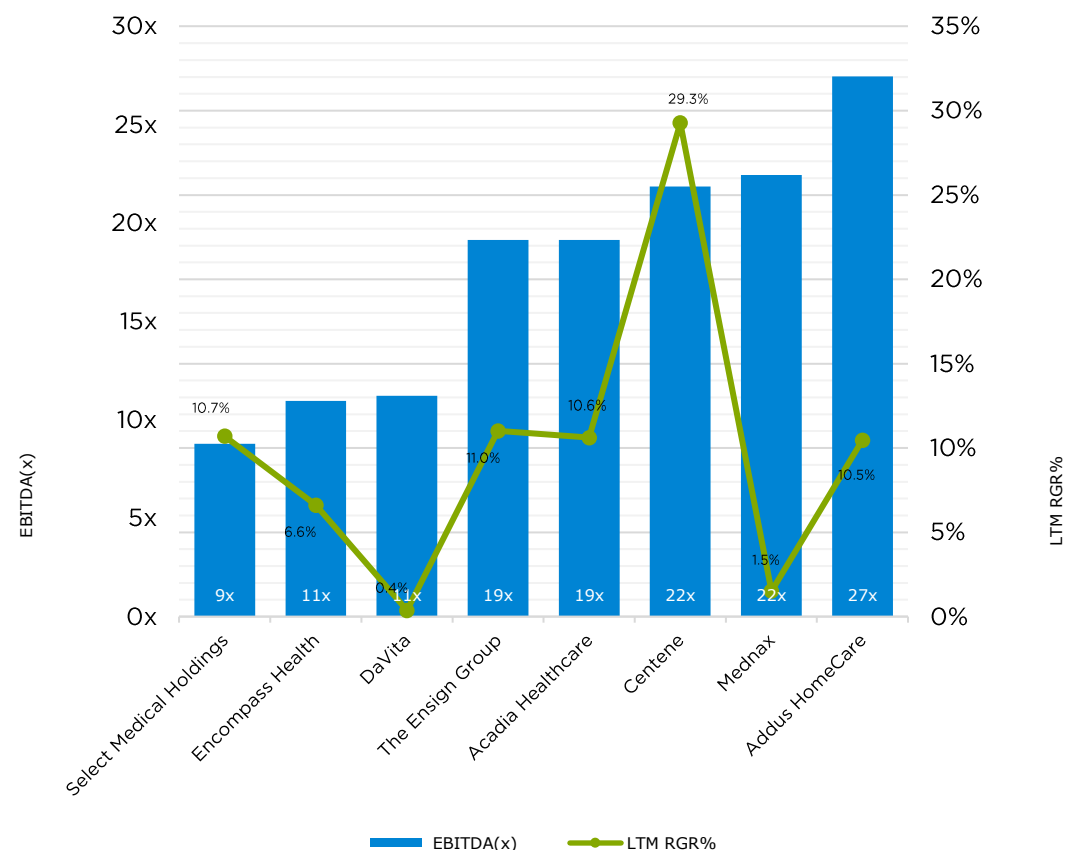


# Valuation

## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions

Date	Target	Buyer	Total Transaction Amount	Target Revenue (TTM at time of deal)	TEV / Revenue	TEV / EBITDA
30-Jun-21	Radiology Group	Midstate Radiology Associates	-	-	-	-
29-Jun-21	Aspire Treatment & Recovery Center	BrightView	-	-	-	-
29-Jun-21	Synergy Therapies	Gryphon Investors	-	-	-	-
21-Jun-21	Inivata	NeoGenomics Laboratories	390.00	-	-	-
16-Jun-21	Truvista Surgery Center	Ridgemont Equity Partners	-	-	-	-
15-Jun-21	CORA Health Services	H.I.G. Capital	-	-	-	-
08-Jun-21	Tela Mental Health	Patient Access Solutions	-	-	-	-
04-Jun-21	Restore Home Health	Choice Health at Home	-	-	-	-
02-Jun-21	CardioLabs	AliveCor	-	-	-	-
02-Jun-21	Summit Spine & Joint Centers	MSouth Equity Partners	-	-	-	-
01-Jun-21	Columbus Surgery Center	Columbus Community Hospital	-	-	-	-
01-Jun-21	Gastroenterology and Hepatology Associates	Audax Group	-	-	-	-
26-May-21	Hope for Tomorrow	BayMark Health Services	-	-	-	-
25-May-21	Harmony GRW Health	NorthEast Health Services	-	-	-	-
25-May-21	Oncology Association	Havencrest Capital Management	-	-	-	-
25-May-21	Rocklin Physical Therapy	Gryphon Investors	-	-	-	-
18-May-21	Ameracare	Dorilton Capital	-	-	-	-
14-May-21	Goodfellow Occupational Therapy	HealthPRO Heritage	-	-	-	-
14-May-21	Harry Co.	Silverbridge Capital Group	-	-	-	-
11-May-21	MindPath Care Centers	Centerbridge Partners	-	-	-	-
10-May-21	Pyramid Healthcare	-	-	-	-	-
29-Apr-21	Clearway Pain Solutions	The Center for Pain	-	-	-	-
27-Apr-21	Hearts for Hospice	Grant Avenue Capital	-	-	-	-
23-Apr-21	Riverchase Dermatology and Cosmetic Surgery	Athyrium Capital Management	-	-	-	-
23-Apr-21	SpineNevada	Audax Group	-	-	-	-
16-Apr-21	Doctor's Choice Home Care	Aveanna Healthcare	115.00	-	1.79x	-

# Appendix

*Public Basket  
Contact Information*



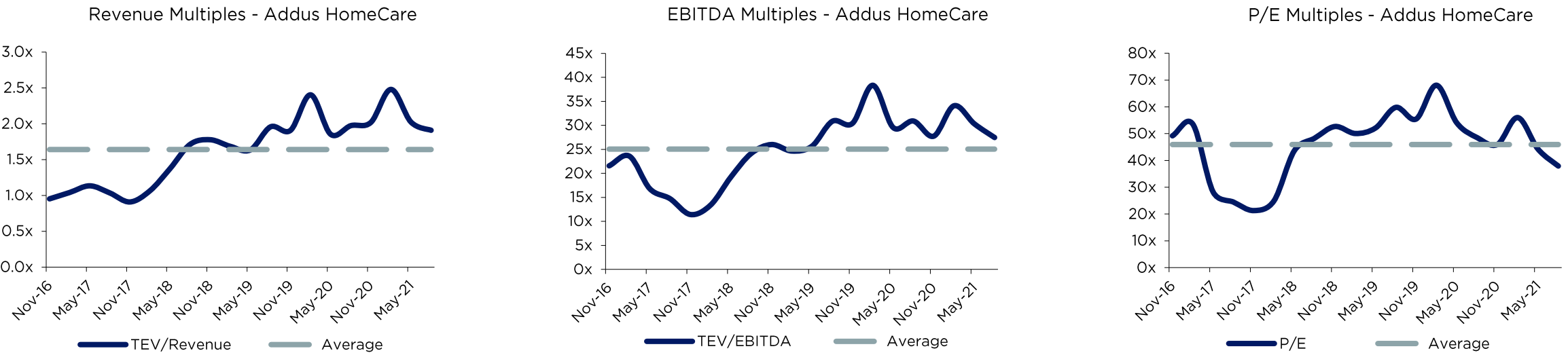
## Addus HomeCare

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

It operates through the following segments: Personal care segment is a key revenue driver, 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. The 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
Armada Skilled Homecare Services	13-Jul-21	The company reached a definitive agreement to be acquired by Addus HomeCare (NAS: ADUS) for \$29 million on July 13, 2021. The acquisition will enable Addus HomeCare to grow their clinical services offering and home health services in New Mexico.
Queen City Hospice	04-Dec-20	The company was acquired by Addus HomeCare (NAS: ADUS) for \$194.75 million on December 4, 2020. With the acquisition, Addus expanded its hospice services in the state of Ohio.



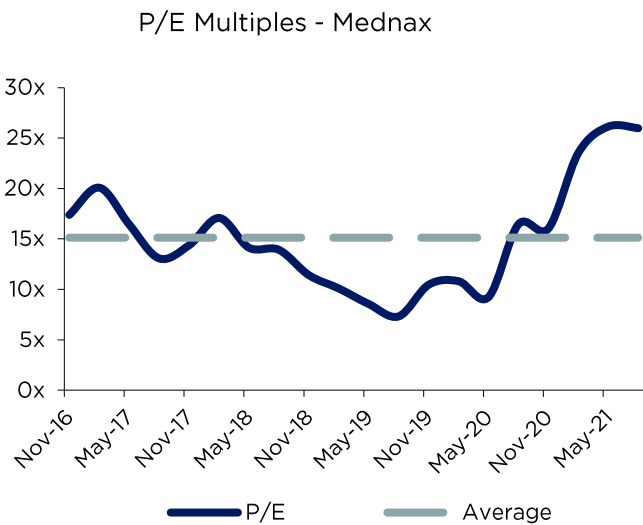
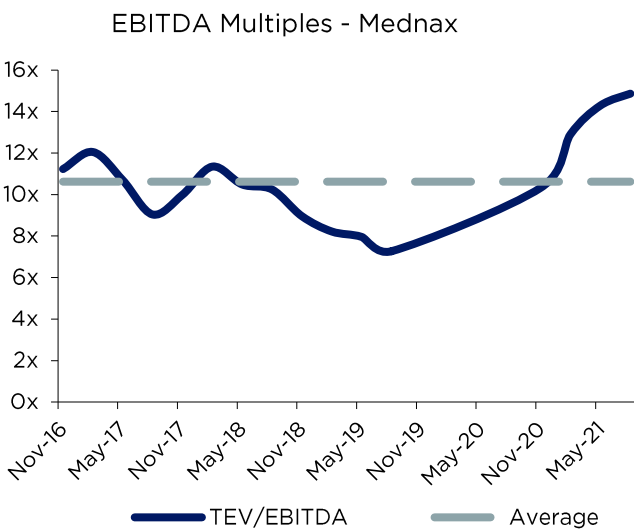
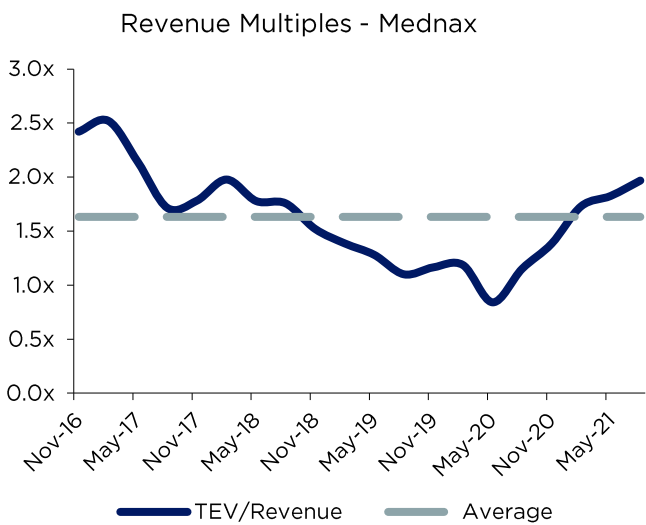
## Mednax

**Mednax Inc 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
NightLight Pediatric Urgent Care	12-Mar-21	The company was acquired by Mednax (NYS: MD) for an undisclosed amount on March 12, 2021. The acquisition enables Mednax to extend its offerings in the Texas region.
Boca Radiology	07-Jan-20	The company was acquired by Mednax (NYS: MD) for an undisclosed amount on January 7, 2020.

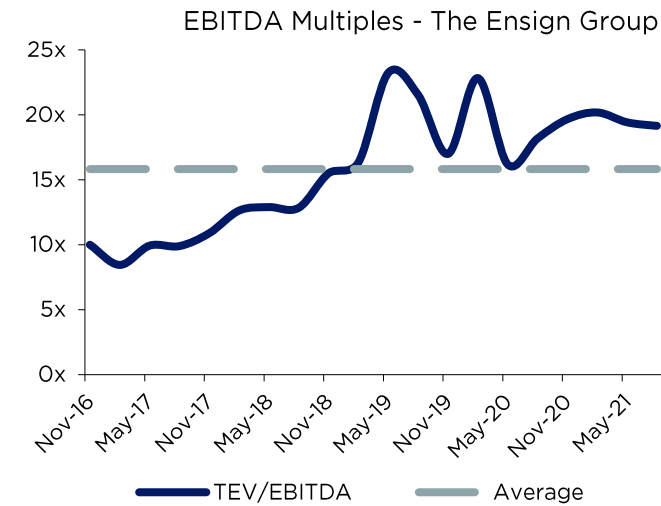
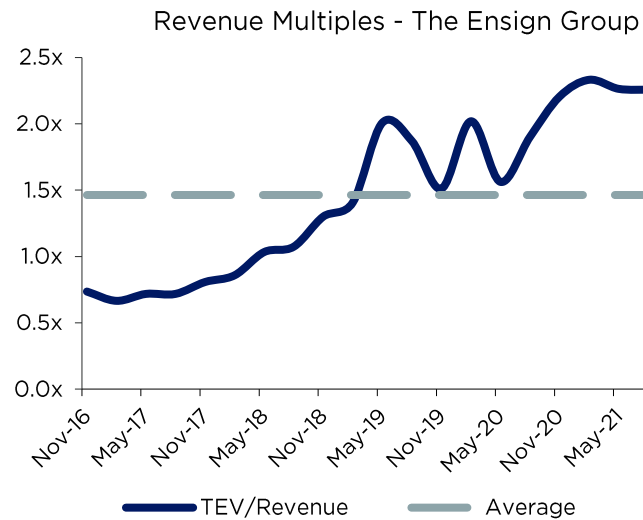
## The Ensign Group

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

Its regional subsidiaries oversee skilled nursing, assisted living, home health and hospice, mobile ancillary, and urgent care operations. Medicare and Medicaid programs contribute a majority of revenue received for Ensign's services. The firm operates through two segments, transitional and skilled services, and as of 2020, a real estate segment that is composed of properties owned by Ensign and leased to nursing and senior living operations. The services segment includes skilled nursing operations and assisted and independent living operations. The majority of revenue is generated by the services 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
The Ensign Group (4 Skilled Nursing Facilities in Washington)	02-Jun-21	Four skilled nursing facilities of CareTrust REIT (NAS: CTRE) were acquired by The Ensign Group (NAS: ENSG) for an undisclosed amount on June 2, 2021.
Windsor Rehabilitation and Health Care Center	01-May-21	The company was acquired by The Ensign Group (NAS: ENSG) for an undisclosed amount on May 1, 2021. The acquisition expands the healthcare operations portfolio of The Ensign Group.

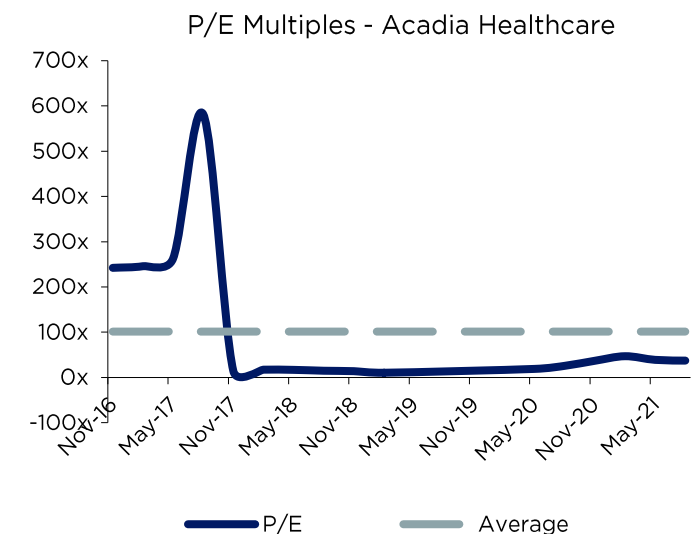
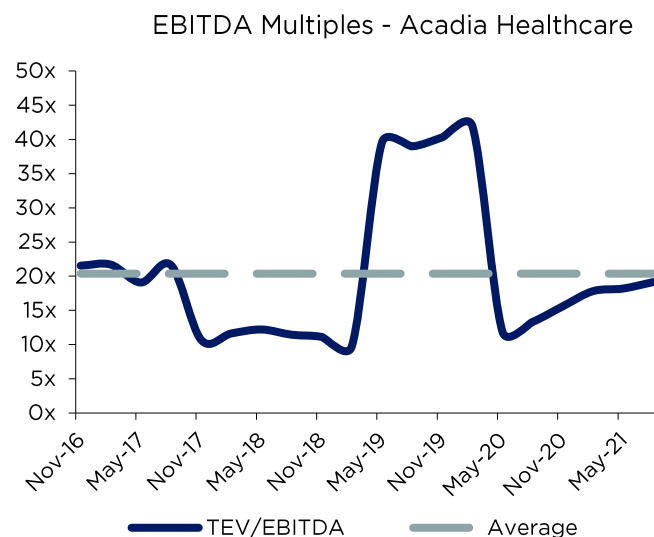
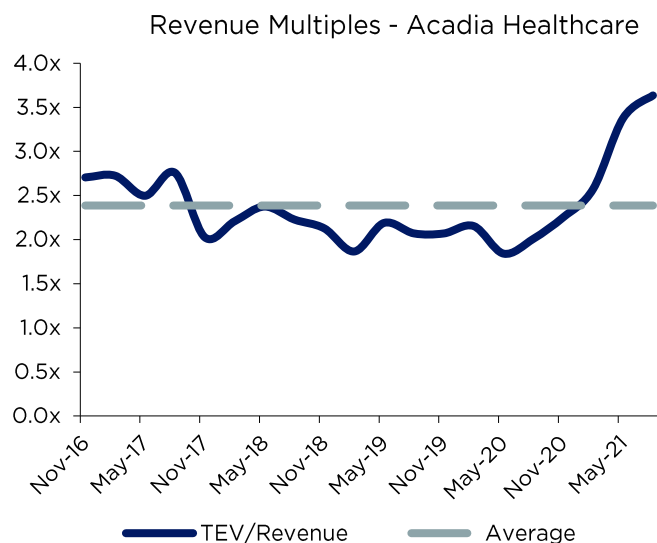
## Acadia Healthcare

# 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
Joint Venture (Acadia Healthcare / Lutheran Health Network)	25-Mar-21	The company was formed as a joint venture between Acadia Healthcare Company (NASDAQ: ACHC) and Lutheran Health Network of Indiana on March 25, 2021. The joint venture will Build Modern Behavioral Health Facility to Serve Fort Wayne Area Communities.
Adventist Health (Hospital and Behavioral Health Services)	09-Feb-21	Acadia Healthcare (NAS: ACHC) entered into a definitive agreement to acquire the hospital and behavioral health services of Adventist Health for an undisclosed amount on February 9, 2021.

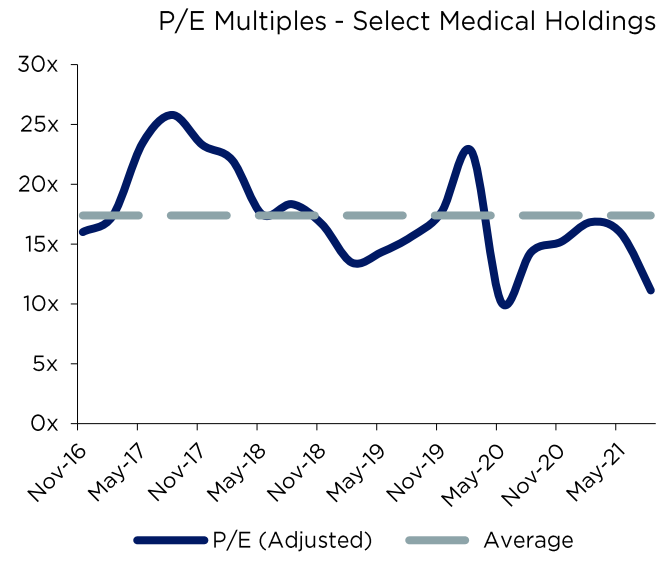
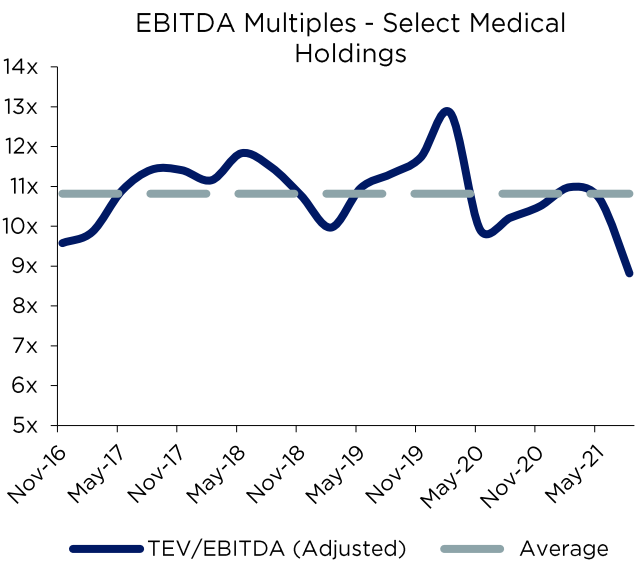
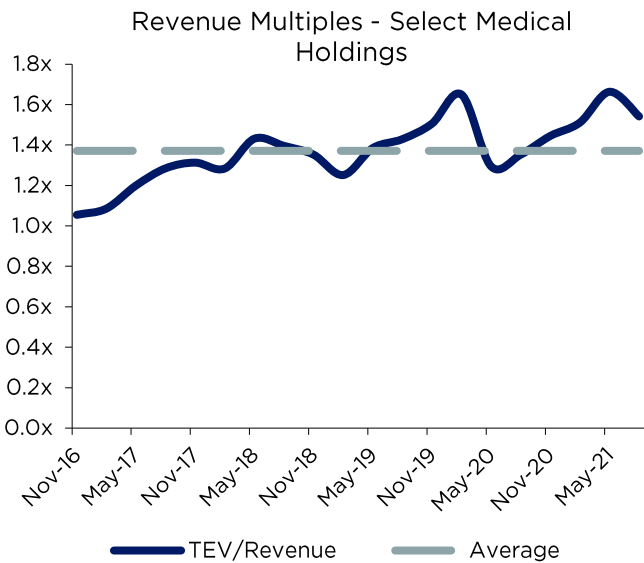
### Select Medical Holdings

Select Medical Holdings Corp 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
Acuity Healthcare	21-Jun-21	The company reached a definitive agreement to be acquired by Select Medical (Mechanicsburg) for an undisclosed amount on June 21, 2021. The deal includes four long-term, acute care hospitals and one satellite location two of which are in New Jersey and the other three of which are in West Virginia.
Expansion of Critical Illness Recovery Hospital Services (Ascension Saint Thomas / Select Medical)	21-Jun-21	The company was formed as a joint venture between Ascension Saint Thomas and Select Medical Holdings on June 21,2021. The companies formed joint venture partnership to expand critical illness recovery hospital services, licensed as long-term acute care, in the Nashville and surrounding communities to meet the growing needs of chronic, critically ill patients.



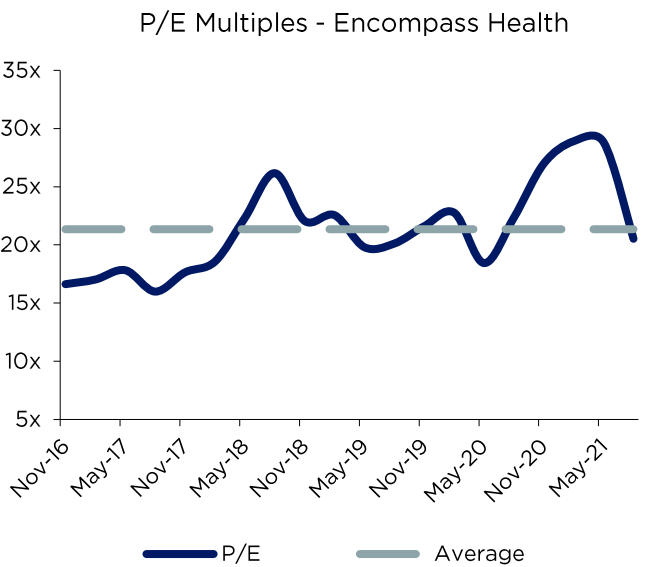
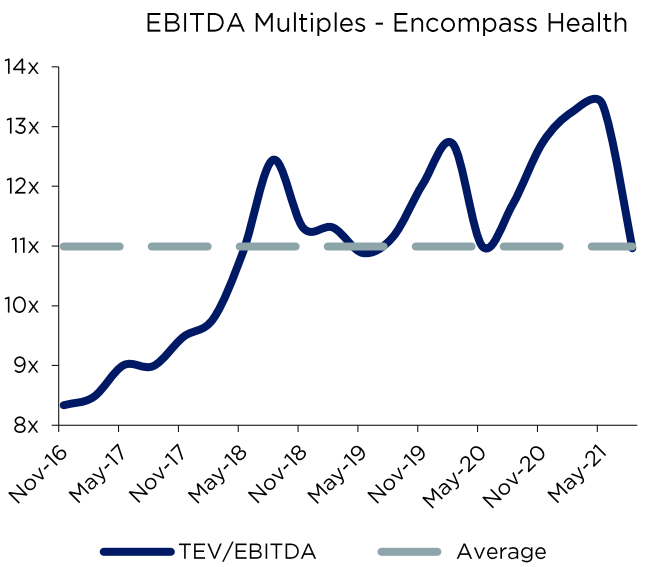
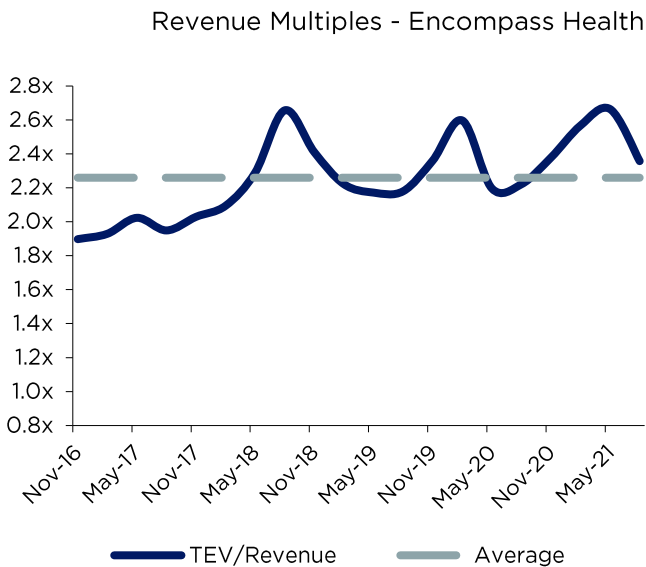
## Encompass Health

**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
The Rehabilitation Hospital of Western Wisconsin	30-Jun-21	Encompass Health and Hospital Sisters Health System have entered into an agreement to form a joint venture as of June 30, 2021.
Joint Venture (Altru Health System / Encompass Health)	29-Jun-21	Altru Health System and Encompass Health (NYS: EHC) have entered into an agreement to form a joint venture as of June 29, 2021. The joint venture aims to own and operate Altru's existing inpatient rehabilitation unit in Grand Forks, North Dakota.

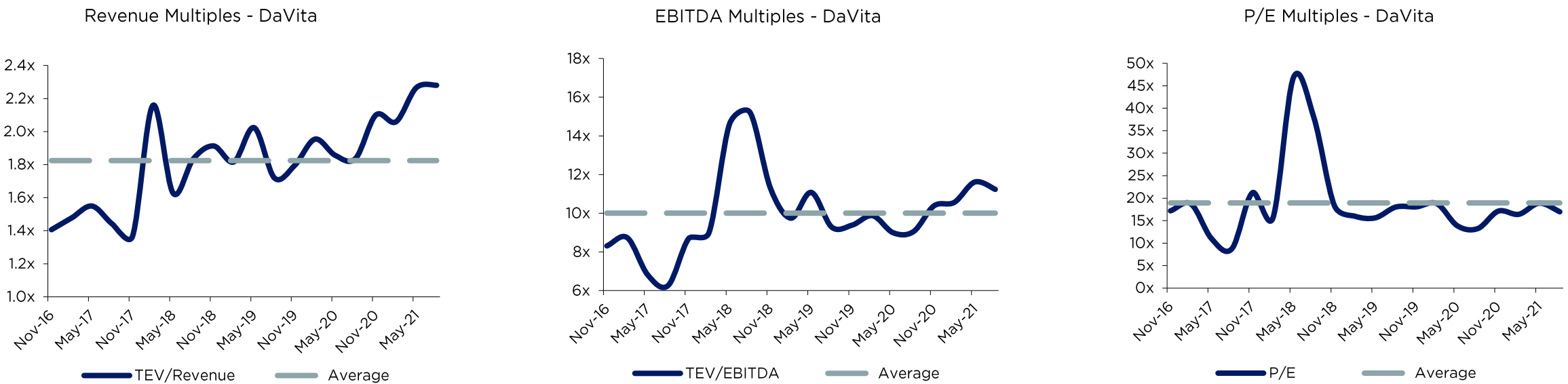
## DaVita

**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 over 3,100 facilities worldwide, mostly in the U.S., and treats over 240,000 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
Renal Services	04-Feb-21	The company was acquired by DaVita (NYS: DVA) for an undisclosed amount on February 4, 2021.
DaVita (11 Dialysis Centers in Denver, Colorado)	30-Sep-20	Eleven dialysis centers were acquired by DaVita (NYS: DVA) for an undisclosed amount on September 30, 2020.

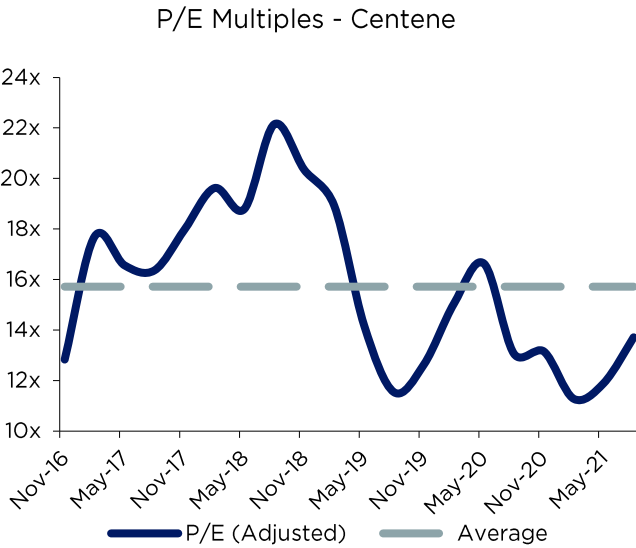
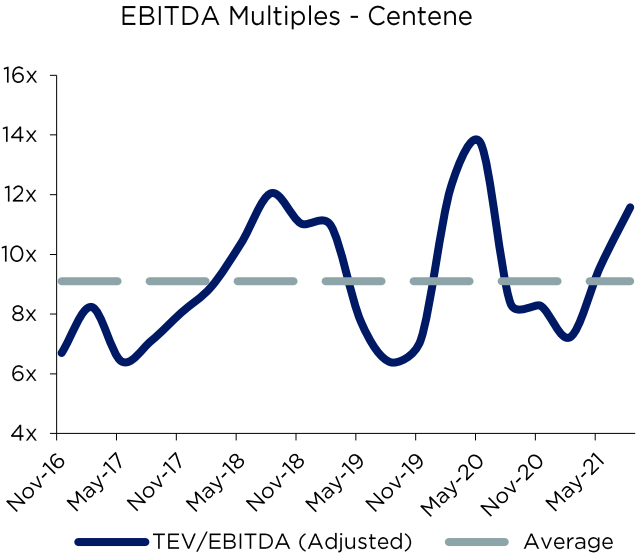
## Centene

**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 now serves 21 million medical members, mostly in Medicaid (14 million), Medicare Advantage (1 million total), the individual exchanges (2 million), and other plans (4 million), including Tricare (West region), correctional facility, and international plans. The company also serves 4 million users through the Medicare Part D pharmaceutical program.

# Public Basket

Centene



Company Name	Date	Deal Synopsis
Vida Health	12-Mar-21	The company raised \$137 million through a combination of Series D, Series D1, and Series D2 venture funding in a deal led by Ally Bridge Group and General Atlantic on March 12, 2021, putting the company's pre-money valuation at \$360 million. Workday Ventures, Centene, AXA Venture Partners, Ardea Partners, GuideWell Mutual Holding, Valley Capital Partners, Aspect Ventures, AME Cloud Ventures, Webb Investment Network, Canvas Ventures and NGP Capital also participated in the round. The funds will be used to continue expanding the company's network of clinicians, mental health coaches, dietitians, and licensed therapists to meet the increasing demand for virtual care,
Magellan Health	04-Jan-21	The company (NASDAQ: MGLN) reached a definitive agreement to be acquired by Centene (NYSE: CNC) for \$2.2 billion on January 4, 2021. The acquisition will broaden and deepen Centene's whole health capabilities and establish a leading behavioral health platform.

# Contact Info

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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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