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Healthcare Industry

Quarterly Review – Q4 2016

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Welcome to CCC Investment Banking's Healthcare Industry Review covering the fourth quarter of 2016.

M&A Activity Levels – There were 112 announced or completed North American healthcare transactions in the fourth quarter of 2016. This result duplicates the 112 deals announced in the previous quarter which was the lowest quarterly total dating back to Q4 2014. Overall healthcare activity for the entire 2016 year dipped slightly to 494 total deals compared to the 497 recorded in 2015. There were three healthcare sectors that saw an increase in deal volume compared to the previous quarter with the Services sector increasing the most by 136% followed by Supplies at 50% and Facilities at 38%. The remaining three sectors to experience a decline consist of the Equipment sector which dropped by 58% followed by Distribution at 22% and Technology at 10%.

Buyer Composition – There were 10 healthcare Private Equity (“PE”) deals in Q4 2016 representing approximately 9% of the total deal activity in the quarter. This result rises slightly above the past two year quarterly average of eight PE deals. There were also an additional five non PE financial transactions while the remaining 97 deals were all completed by strategic acquirers.

Canadian Deals – There were nine Canadian-based healthcare deals announced in Q4 2016 representing approximately 8% of the North American healthcare deal activity. This results in a minor decrease when compared to the previous quarter (11 deals) but remains consistent with the previous two year quarterly averages when Canadian deals represented between 7% and 8% of the North American healthcare transaction volume. Of these nine deals, eight are considered Canadian targets while the remaining deal involves a Canadian buyer entering the U.S. market. The Technology sector once again captured the most Canadian deals completed with six.

Overall Canadian M&A activity across all industries jumped to 281 change of control transactions in Q4 2016. This compares to Q3 2016 (219 deals), Q2 2016 (250 deals) and Q4 2015 (281 deals) while also rising above the past two year quarterly average of 260 deals.

Public Market Valuations and Profit Margins – The healthcare market tumbled in overall market value in Q4 2016 after experiencing positive gains in the previous two quarters. The CCC Healthcare Index decreased by 14.4% which is the market's biggest drop since Q3 2015. This can be directly attributed to the decrease of 57% of the 42 stocks identified in the CCC Healthcare Index. When compared to other market indexes, the CCC Healthcare Index underperformed both the S&P/TSX and NASDAQ which both rose by 4.2% and 2.7% respectively. Enterprise Value/EBITDA¹ multiples in only two of the six subsectors experienced an increase compared to Q3 2016 with the Supplies sector increasing the most (+1.9x), reaching its highest average multiple in over three years, followed by Facilities (+0.3x). The remaining four sectors to experience a decrease involved Equipment (-1.6x), Technology (-1.1x), Services (-0.3x) and Distribution (-0.3x). Overall profitability margins, as defined by sector median EBITDA¹/Revenue, experienced an increase in the sectors of Technology (+1.3%), Equipment (+0.4%) and Supplies (+0.2%). The only sector to decline was Services (-0.8%) while both the Distribution and Facilities sectors remained unchanged.

Thank you,



William (Bill) F. Rogers
Managing Director and CEO



Robert Bird, CPA, CA, CFA
Managing Director

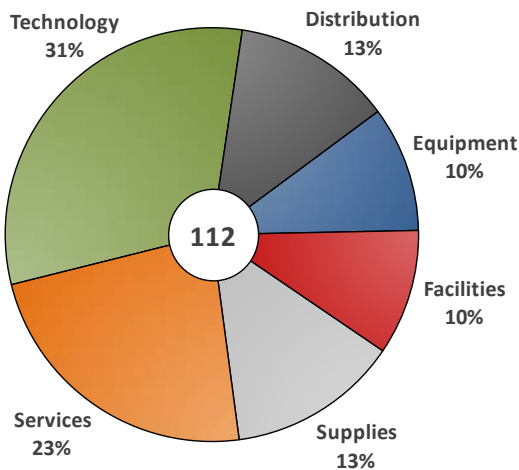


M&A Trends Q4 2016

Healthcare M&A Highlights

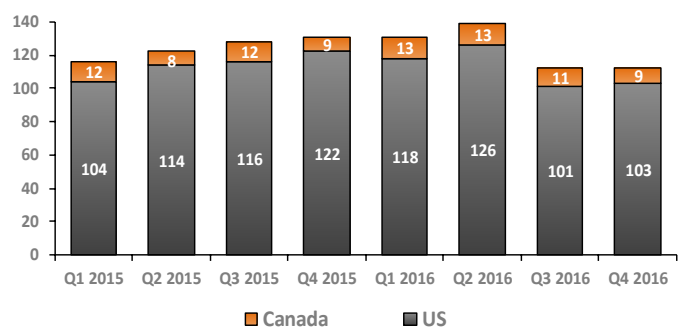
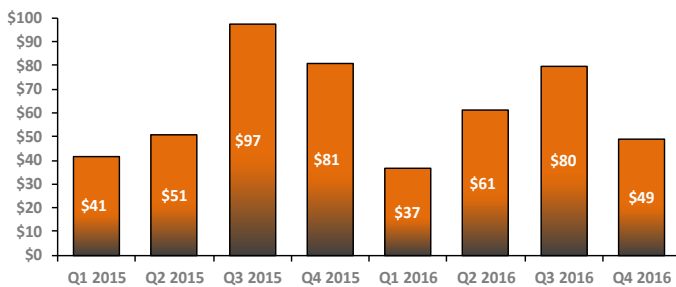
- 112 majority stake transactions were announced or completed in Q4 2016 which duplicates the 112 announced or completed deals in Q3 2016. These past two quarterly results equal the lowest amount recorded since Q4 2014. Overall Healthcare activity for all of 2016 dropped slightly to 494 deals compared to the 497 recorded in 2015.
- Three of the six healthcare sectors saw an increase in deal volume compared to the previous quarter. The largest increase involved the Services sector with announced deals increasing by 136% to 26 transactions (its largest volume since Q2 2011) followed by Supplies at 50% and Facilities at 38%. Sectors with decreasing deal volume include Equipment which fell 58% to 11 transactions (its lowest volume since Q1 2012) followed by Distribution at 22% and Technology at 10%.
- Average transaction value for all deals with disclosed values under US\$500M (26 publicly identified deals) was US\$49M. This represents a 39% decrease when compared to the previous quarter and sits well below the quarterly average of US\$57M for all of 2016. This is a direct result of the high number (70%) of deals valued below US\$20M in the quarter.

Q4 2016 North American Healthcare Deal Volume by Sector



	Annual 2014	Q1 15	Q2 15	Q3 15	Q4 15	Annual 2015	Q1 16	Q2 16	Q3 16	Q4 16	Annual 2016
Technology	158	48	48	48	43	187	51	50	39	35	175
Distribution	43	11	12	10	20	53	12	13	18	14	57
Equipment	92	15	17	21	21	74	20	28	26	11	85
Facilities	85	10	18	12	16	56	16	10	8	11	45
Supplies	37	8	7	13	9	37	13	14	10	15	52
Services	50	24	20	24	22	90	19	24	11	26	80
Total	465	116	122	128	131	497	131	139	112	112	494

Historical Quarterly North American Healthcare Deal Volume by Size⁽¹⁾ and Geography



⁽¹⁾ Average transaction value (US\$M) for all deals with disclosed values under US\$500M

Sector Definitions

Equipment: Medical equipment, home healthcare equipment, testing, analyzing and diagnostic equipment, therapeutic devices and dental equipment

Distribution: Healthcare equipment and product distribution

Facilities: Assisted living facilities

Technology: Technology products and services targeting the healthcare industry

Services: Medical laboratories and rehabilitation centres

Supplies: Medical consumables, instruments and optical supplies

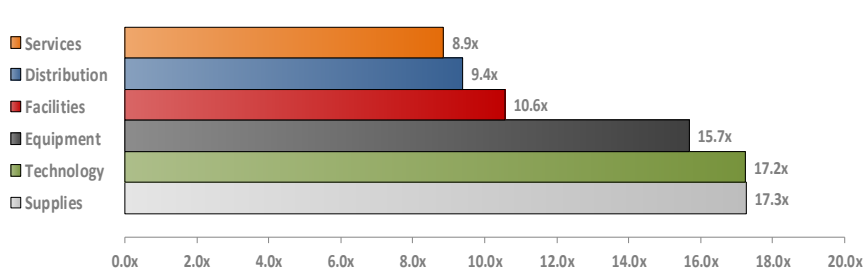


Public Market Valuation Metrics

Q4 2016

The charts below show North American Q4 2016 EV/EBITDA and EBITDA/Revenue by sector.

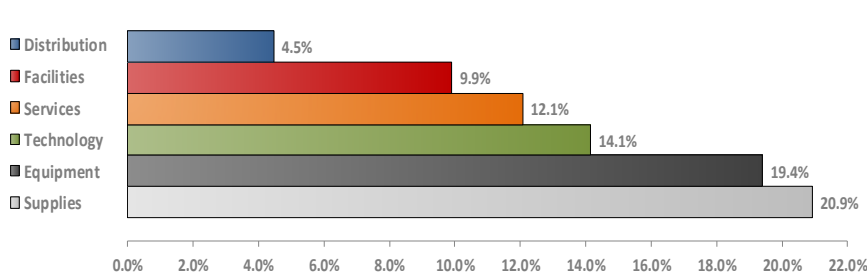
Median Q4 2016 LTM EV/EBITDA by Sector



	# ⁽¹⁾	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16
Services	13	9.7x	9.4x	9.1x	10.2x	9.2x	8.9x
Distribution	10	11.8x	11.6x	10.3x	10.2x	9.7x	9.4x
Facilities	12	10.5x	10.0x	10.3x	9.9x	10.3x	10.6x
Equipment	48	14.0x	14.8x	14.7x	15.9x	17.3x	15.7x
Technology	19	18.7x	20.1x	18.9x	18.5x	18.3x	17.2x
Supplies	22	14.4x	13.9x	13.8x	13.9x	15.4x	17.3x

⁽¹⁾ # of publicly traded companies identified

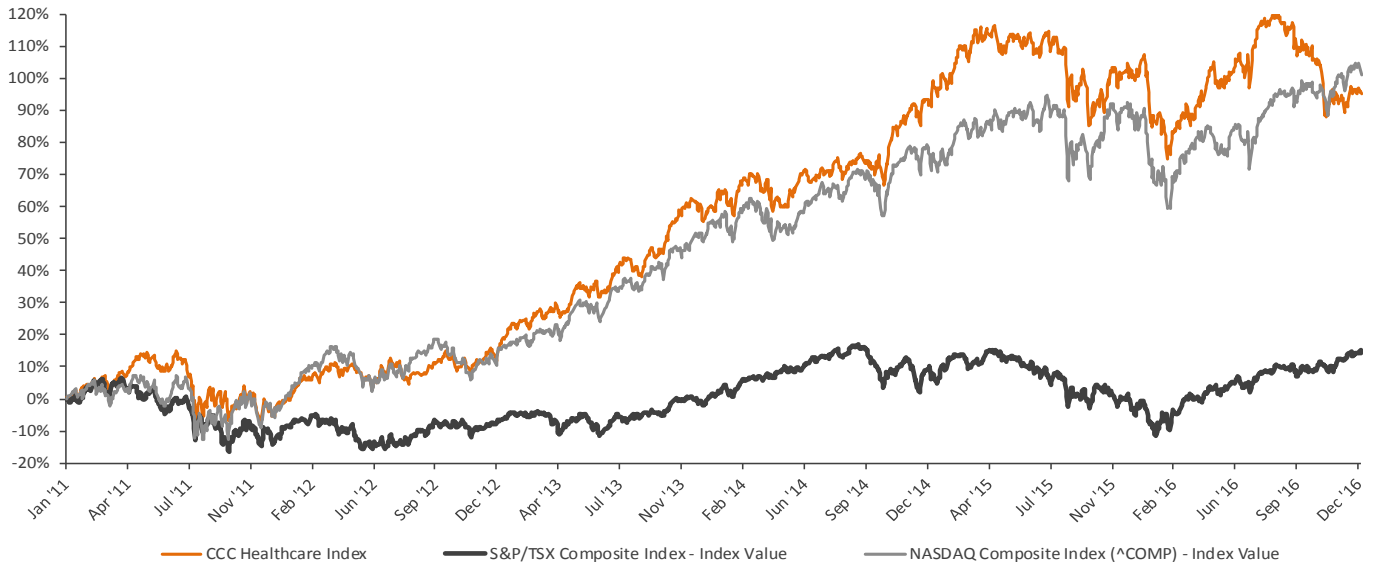
Median Q4 2016 LTM EBITDA/Revenue



	# ⁽¹⁾	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16
Distribution	10	4.7%	5.5%	5.5%	4.6%	4.5%	4.5%
Facilities	12	9.4%	9.4%	9.9%	10.0%	9.9%	9.9%
Services	13	10.0%	12.5%	12.9%	14.0%	12.9%	12.1%
Technology	19	15.2%	12.8%	11.9%	14.1%	12.8%	14.1%
Equipment	48	20.0%	18.7%	19.3%	19.4%	19.0%	19.4%
Supplies	22	20.8%	21.5%	19.7%	19.4%	20.7%	20.9%

⁽¹⁾ # of publicly traded companies identified

Below is a chart comparing the CCC Healthcare Index to the performance of the NASDAQ Composite Index and the S&P/TSX Composite Index. This chart depicts the percentage change in the index value from January 1, 2011 to December 31, 2016.



* The index is comprised of 42 Healthcare stocks selected by the CCC Healthcare team

CCC's Healthcare specialists can help to add value to your business. Please contact Bill Rogers, Rob Bird or Hugh Notman or visit www.cccinvestmentbanking.com.



Select Company Trading and Operating Metrics

Q4 2016

Ticker	Company	Stock Price 31-Dec-16	52 Week		Total Enterprise Value (TEV)	Total Debt	LTM Revenue	LTM EBITDA	EBITDA Margin	Total Debt to LTM EBITDA	TEV / LTM Revenue ⁽¹⁾	TEV / LTM EBITDA ⁽¹⁾
			High	Low								
Technology												
		(US\$)			(US\$ millions)							
NasdaqGS:ATHN	athenahealth, Inc.	\$105.17	\$167.46	\$90.11	\$4,311	\$291	\$1,083	\$107	10%	2.72x	3.98x	40.25x
NasdaqGS:CERN	Cerner Corporation	\$47.37	\$67.50	\$47.01	\$15,962	\$564	\$4,708	\$1,315	28%	0.43x	3.39x	12.14x
NasdaqGS:MDSO	Medidata Solutions, Inc.	\$49.67	\$57.85	\$30.22	\$2,791	\$263	\$463	\$66	14%	4.02x	6.02x	42.57x
NasdaqGS:OMCL	Omniceil, Inc.	\$33.90	\$40.50	\$25.06	\$1,414	\$254	\$693	\$63	9%	4.04x	2.04x	22.46x
NasdaqGS:QSII	Quality Systems Inc.	\$13.15	\$17.50	\$10.61	\$838	\$25	\$505	\$61	12%	0.41x	1.66x	13.70x
										Avg.	3.42x	26.22x
Equipment												
NYSE:BDX	Becton, Dickinson and Company	\$165.55	\$181.76	\$129.50	\$45,279	\$11,017	\$12,419	\$3,262	26%	3.38x	3.65x	13.88x
NYSE:BSX	Boston Scientific Corporation	\$21.63	\$24.79	\$15.67	\$34,641	\$5,484	\$8,386	\$2,201	26%	2.49x	4.13x	15.74x
Nasdaq:CNMD	CONMED Corporation	\$44.17	\$50.16	\$35.51	\$1,702	\$498	\$764	\$127	17%	3.93x	2.23x	13.42x
NasdaqGS:HOLX	Hologic Inc.	\$40.12	\$41.01	\$31.84	\$13,993	\$3,323	\$2,872	\$1,045	36%	3.18x	4.87x	13.39x
NYSE:RMD	ResMed Inc.	\$62.05	\$70.90	\$50.77	\$9,138	\$1,169	\$1,968	\$539	27%	2.17x	4.64x	16.94x
										Avg.	3.90x	14.68x
Supplies												
NasdaqGS:ATRI	ATRION Corp.	\$507.20	\$522.05	\$350.00	\$886	\$0	\$143	\$48	34%	-	6.18x	18.44x
Nasdaq:XRAY	DENTSPLY SIRONA Inc.	\$57.73	\$65.83	\$53.43	\$14,599	\$1,533	\$3,745	\$780	21%	1.97x	3.90x	18.73x
NYSE:HAE	Haemonetics Corporation	\$40.20	\$41.41	\$25.98	\$2,326	\$336	\$900	\$135	15%	2.50x	2.58x	17.28x
NasdaqGS:UTMD	Utah Medical Products Inc.	\$72.75	\$75.00	\$54.20	\$242	\$0	\$39	\$19	49%	-	6.16x	12.69x
NYSE:WST	West Pharmaceutical Services, Inc.	\$84.83	\$86.50	\$53.88	\$6,235	\$230	\$1,509	\$318	21%	0.72x	4.13x	19.64x
										Avg.	4.59x	17.35x
Distribution												
NYSE:ABC	AmerisourceBergen Corporation	\$78.19	\$103.40	\$68.38	\$18,727	\$4,480	\$148,310	\$2,158	1%	2.08x	0.13x	8.68x
NYSE:CAH	Cardinal Health, Inc.	\$71.97	\$89.97	\$62.70	\$26,701	\$5,462	\$127,236	\$3,072	2%	1.78x	0.21x	8.69x
NYSE:OMI	Owens & Minor Inc.	\$35.29	\$41.48	\$30.43	\$2,622	\$675	\$9,723	\$267	3%	2.52x	0.27x	9.82x
NYSE:MCK	McKesson Corporation	\$140.45	\$199.43	\$114.53	\$35,912	\$9,123	\$196,498	\$4,624	2%	1.97x	0.18x	7.77x
NYSE:PMC	PharMerica Corporation	\$25.15	\$35.00	\$19.20	\$1,158	\$473	\$2,091	\$129	6%	3.66x	0.55x	8.96x
										Avg.	0.27x	8.78x
Facilities												
NYSE:BKD	Brookdale Senior Living Inc.	\$12.42	\$19.71	\$10.65	\$8,467	\$6,045	\$4,239	\$796	19%	7.59x	2.00x	10.63x
NYSE:CSU	Capital Senior Living Corp.	\$16.05	\$20.85	\$12.65	\$1,358	\$939	\$446	\$76	17%	12.38x	3.05x	17.89x
* TSX:EXE	Extencicare Inc.	\$7.36	\$7.62	\$5.67	\$959	\$375	\$790	\$70	9%	5.35x	1.21x	13.69x
NYSE:KND	Kindred Healthcare Inc.	\$7.85	\$15.66	\$5.65	\$3,999	\$3,243	\$7,220	\$546	8%	5.94x	0.55x	7.32x
TSX:SIA	Sienna Senior Living Inc.	\$12.14	\$13.36	\$10.82	\$1,108	\$562	\$371	\$59	16%	9.58x	2.99x	18.89x
										Avg.	1.96x	13.69x
Services												
NasdaqGM:AIQ	Alliance Healthcare Services, Inc.	\$9.60	\$9.85	\$5.73	\$711	\$549	\$506	\$124	25%	4.41x	1.41x	5.72x
NYSE:CIVI	Civitas Solutions, Inc.	\$19.90	\$29.63	\$15.19	\$1,339	\$637	\$1,421	\$155	11%	4.11x	0.94x	8.65x
NYSE:LH	Laboratory Corp. of America Holdings	\$128.38	\$141.32	\$97.79	\$18,843	\$5,850	\$9,437	\$1,831	19%	3.20x	2.00x	10.29x
NasdaqGS:LHCG	LHC Group, Inc.	\$45.70	\$46.73	\$32.04	\$924	\$88	\$900	\$84	9%	1.05x	1.03x	11.01x
NYSE:DGX	Quest Diagnostics Inc.	\$91.90	\$93.57	\$59.66	\$16,269	\$3,822	\$7,515	\$1,406	19%	2.72x	2.16x	11.57x
										Avg.	1.51x	9.45x

Notes:

As at December 31, 2016

(1) All trading multiples based upon trading currency

Source: Capital IQ

*** Quarterly Company Featured: Extencicare Inc.**

Sector: Healthcare Facilities

Location: Markham, Ontario, Canada

Website: www.extencicare.com

Description: Extencicare Inc. (TSX:EXE) is a leading provider of care and services for seniors throughout Canada. Through their network of 118 operated senior care centres (64 owned/54 managed), as well as their home health care operations, they're committed to delivering care throughout the health care continuum to meet the needs of a growing seniors' population in Canada. Their qualified and highly trained workforce of 23,100 individuals is dedicated to helping people live better through a commitment to quality service and a passion for what they do.

CCC's Healthcare specialists can help to add value to your business.

Please contact Bill Rogers, Rob Bird or Hugh Notman or visit

www.cccinvestmentbanking.com.

Technology

- B.C.-based manufacturer of generic and over-the-counter pharmaceuticals Vanc Pharmaceuticals Inc. (TSXV:VANC) agreed to acquire Vancouver-based **HEALTHAB, Inc.** on December 5, 2016. HEALTHAB operates a Web-enabled point-of-care health screening system that allows users to access test results from point-of-care analyzers to then share with healthcare experts of their choice.
- Texas-based Securus Technologies, Inc., a provider of civil and criminal justice technology solutions, acquired Quebec-based **PHD Medical, Inc.’s corrections focused telemedicine hardware, software, management and development assets** on November 30, 2016.
- Minnesota-based Vital Images, Inc., a provider of visualization and image analysis solutions and a subsidiary of Toshiba Medical Systems Corporation, agreed to acquire Waterloo-based **Karos Health Incorporated** on November 1, 2016. Karos provides standards-based clinical exchange and cross-enterprise workflow and diagnostic imaging solutions.
- Vancouver-based EVITRADE Health Systems Corp. (CNSX:AID), a provider of online services for resolving common health problems, agreed to acquire Toronto-based **VOH Health Systems** on November 15, 2016. VOH develops and markets a healthcare platform that allows people to perform predictive care.
- California-based Omnicell, Inc. (NasdaqGS:OMCL), a provider of medication and supply management, acquired North Carolina-based **Ateb, Inc.** and Ontario-based **Ateb Canada Ltd.** from a group of sellers for US\$40.7M on December 8, 2016. Ateb provides pharmacy-based patient care solutions and medication synchronization to independent and chain pharmacies.
- Ottawa-based N. Harris Computer Corporation, a subsidiary of Constellation Software Inc., acquired Massachusetts-based **iMDsoft Inc.** from Skyline Global Partners and others on November 28, 2016. iMDsoft provides clinical information systems for critical, preoperative and acute care environments.
- U.S. PE firm TPG Capital, L.P. agreed to acquire Kansas-based **Mediware Information Systems, Inc.** from Thoma Bravo, LLC on December 19, 2016. Mediware is a leading supplier of software as a service (“SaaS”) and other software platforms for healthcare and human services providers and payors across acute, non-acute and community-based sites of care.
- India-based global healthcare solutions provider Indegen Lifesystems Pvt Ltd. acquired Delaware-based **The Encima Group, Inc.** for US\$16M on December 1, 2016. The Encima Group provides life science omnichannel marketing automation and analytics to some of the world’s largest pharmaceutical organizations.
- Pennsylvania-based BioTelemetry, Inc. (NasdaqGS:BEAT), a leading wireless medical technology company, acquired Maryland-based **TELCARE, Inc.** from various investors for US\$12M on December 1, 2016. TELCARE is a leading digital-health company that developed the first FDA-cleared cellular enabled blood glucometer and cloud-based diabetes data repository system.

Technology (cont’d)

- Netherlands-based Wolters Kluwer N.V. (ENXTAM:WKL), a global leader in information services and solutions for professionals in health, tax, finance and legal sectors, acquired Chicago-based **Emmi Solutions, LLC** from Primus Capital and others for US\$170M on November 15, 2016. Emmi’s patient engagement platform offers peer-reviewed content and personalized communication to help patients across the continuum of care, from prevention to treatment to follow-up.
- Virginia-based healthcare delivery and payment solutions provider Evolent Health, Inc. (NYSE:EVH) acquired Illinois-based **Aldera Holdings, Inc.** for US\$34M on November 1, 2016. Aldera provides administration and private portal solutions for healthcare payers and administrators.
- Indiana-based Zimmer Biomet Holdings, Inc. (NYSE:ZBH), a global leader in musculoskeletal healthcare, acquired Michigan-based **RespondWell, LLC** on October 27, 2016. RespondWell provides telerehabilitation technology designed to provide personalized clinician-supervised post-surgical physical therapy at home.
- San Jose-based Vocera Communications, Inc. (NYSE:VCRA), a leading healthcare communications company, acquired Indiana-based **Extension, LLC** from a group of sellers for US\$52.5M in cash on October 27, 2016. Extension provides clinical, event-driven communication and workflow collaboration software for the hospital environment.
- Kansas-based healthcare information technology (“IT”) company Netsmart Technologies Inc. acquired Missouri-based healthcare software products and solutions provider **HealthMEDX, Inc.** on October 27, 2016.
- Chicago-based healthcare IT solutions provider Allscripts Healthcare Solutions, Inc. (NasdaqGS:MDRX) acquired Boston-based **Careport Health, Inc.** on October 20, 2016. Careport provides software that matches patients seeking post-hospital care with the high-quality and ideal options for their needs.
- California-based TrendShift, LLC, a SaaS-based analytics and risk assessment company, acquired the assets of Ohio-based **Health Data Intelligence, LLC**, a SaaS-based healthcare analytics and population health management company, on October 19, 2016.
- California-based healthcare management software solutions developer Casamba, Inc. acquired Alabama-based clinical and billing solutions developer **TherapySource** from Source Medical Solutions, Inc. on October 18, 2016. In a related transaction, Casamba also acquired Massachusetts-based home health, hospice and private duty EMR software provider **HealthWyse, LLC** on October 18, 2016.
- U.S. PE firm Clayton, Dubilier & Rice, Inc. acquired California-based **Cyber Pro Systems, Inc.**, doing business as Medical Data Exchange, and **Primary Provider Management Company, Inc.** on October 4, 2016. Cyber Pro provides IT solutions for hospital, medical groups and physicians while Primary Provider provides management services to the healthcare industry.



Featured Transactions

Q4 2016

Supplies

- A group of investors led by U.S.-based Vivo Capital, LLC, GSO Capital Partners LP, Chinese-based ZQ Capital Limited, China Orient Asset Management Corporation and Fung Shing Investment Limited agreed to acquire Vancouver-based **Angiotech Pharmaceuticals, Inc.** on December 19, 2016. Angiotech is a diversified medical device and supplies manufacturer of branded, private label and OEM products with customers in over 80 countries worldwide.
- Texas-based HOYA Vision Care, North America, a subsidiary of Hoya Corp., acquired the **Safety Prescription Eyewear Business of 3M Company** (NYSE:MMM) on January 3, 2017. In a related transaction, Hoya Corp. also agreed to acquire Minnesota-based optical lenses manufacturer **Performance Optics, LLC** from a group of investors for approximately US\$480M on October 12, 2016. The deal will represent a **Total Enterprise Value (“TEV”) to Last Twelve Months (“LTM”) EBITDA of 16.0x**.
- U.S. PE firm Seven Point Equity Partners, LLC acquired a majority stake in New Jersey-based **Medin Corporation** on December 31, 2016. Medin designs and manufactures a variety of medical devices and instruments for the healthcare industry worldwide.
- U.S. PE firms JLL Partners and Water Street Healthcare Partners acquired Arizona-based **MedPlast Inc.** from Baird Capital Partners and others on December 7, 2016. MedPlast provides integrated custom plastic processing solutions for finished medical devices.
- Pennsylvania-based Teleflex Incorporated (NYSE:TFX), a manufacturer of devices used in surgery, cardiac and respiratory care, agreed to acquire Minneapolis-based **Vascular Solutions, Inc.** (NasdaqGS:VASC) for US\$1B on December 1, 2016. The deal represents a **TEV to LTM EBITDA of 45.8x** and a **TEV to LTM Revenue of 6.2x**. Vascular Solutions focuses on developing unique clinical solutions for coronary and peripheral vascular procedures.
- Phoenix-based Avella Specialty Pharmacy, Inc. acquired Houston-based **Advanced Pharma, Inc.** on December 1, 2016. Advanced Pharma manufactures compounded sterile preparations for hospital systems across the U.S.
- California-based ICU Medical, Inc. (NasdaqGS:ICUI) agreed to acquire the **Hospira Infusion Systems business from Pfizer Inc.** (NYSE:PFE) for US\$1B in cash and stock on October 6, 2016. The deal will represent a **TEV to LTM EBITDA of 6.7x** and a **TEV to LTM Revenue of 0.9x**. The Hospira Infusion Systems business includes IV pumps, solutions and devices which will make ICU Medical one of the world’s leading pure-play infusion therapy companies.

Services

- Massachusetts-based Associated Home Care, LLC, a subsidiary of Amedisys Inc., agreed to acquire home healthcare agency operator **Home Staff, LLC** on December 19, 2016.
- U.S. PE firm Bain Capital Private Equity, LP agreed to acquire Dallas-based Epic Health Services, Inc. from Webster Capital on December 19, 2016. Epic provides home healthcare services for medically fragile children and adults in various U.S. states.

Services (cont’d)

- U.S. PE firm The Wicks Group of Companies, L.L.C. acquired an unknown stake in Pennsylvania-based **Invo Healthcare Associates, Inc.** from Post Capital Partners LLC on December 23, 2016. Invo provides school and community behavioral health and other therapeutic services to individuals with special needs.
- Pittsburgh-based home healthcare services provider Anova Health Care System, Inc. agreed to acquire New York-based **Personal-Touch Home Care, Inc.** on December 19, 2016. Personal-Touch provides various home healthcare services, including mental health, pediatric, rehabilitation and hospice services.
- Texas-based Concentra, Inc., a company focused on improving the health of workforce in the U.S., acquired Virginia-based occupational healthcare clinic owner and operator **Corporate Health Center, LLC** on December 19, 2016.
- Los Angeles-based sperm bank California Cryobank, Inc. acquired **Donor Egg Bank USA, LLC** on December 13, 2016. Donor Egg Bank operates a network of fertility practices in the U.S. and Canada.
- California-based U.S. Healthworks, Inc. acquired Minnesota-based **Twin Cities Occupational Health & Rehabilitation, LLC** on December 6, 2016.
- Ohio-based DNA Diagnostics Center, Inc., doing business as DDC Resources, acquired DNA paternity testing laboratory services provider **Identigene, L.L.C.** on December 2, 2016.
- Minneapolis-based healthcare technology management and service solutions provider Universal Hospital Services, Inc., a subsidiary of UHS Holdco, Inc., acquired San Diego-based medical imaging solutions provider **Radiographic Equipment Services Incorporated** on December 1, 2016.
- Illinois-based Option Care, Inc., a provider of home and alternate treatment site infusion services, acquired Houston-based **Healthy Connections Home Care Services, Inc.** on October 31, 2016.
- North Carolina-based Laboratory Corporation of America Holdings (NYSE:LH) acquired New York-based **ClearPath Diagnostics** from Shore Capital Partners, LLC and others on October 3, 2016. ClearPath provides cytology, pathology, and ancillary testing services in the U.S.

Distribution

- India-based specialty generic pharmaceutical company Sun Pharmaceutical Industries Ltd. (NSEI:SUNPHARMA) agreed to acquire the branded oncology product **Odomzo®** from New Jersey-based Novartis Oncology for approximately US\$175M on December 22, 2016. Odomzo is used for the treatment of adult patients with locally advanced basal cell carcinoma.
- Denmark-based Coloplast A/S (CPSE:COLO B), a developer of intimate healthcare products and services worldwide, acquired Florida-based **Comfort Medical, LLC** from Liberty Medical Holdings, LLC for US\$160M on December 20, 2016. Comfort Medical is a direct-to-consumer durable medical equipment nationwide dealer of catheters and ostomy supplies.



Featured Transactions

Q4 2016

Distribution (cont'd)

- Massachusetts-based Medical Specialties Distributors, LLC acquired Mississippi-based **First Choice Medical Supply, LLC** on December 9, 2016. First Choice distributes medical and housekeeping supplies, equipment and furniture.
- South Carolina-based drug distributor J M Smith Corporation agreed to acquire U.S.-based **Burlington Drug Company, Inc.** and drug retail store operator **Pharmacy Health Services** on December 6, 2016.
- Texas-based Med-Depot, Inc, doing business as Hospice Source, acquired the **Hospice DME division from Travis Medical Sales Corporation** on November 14, 2016.
- California-based Sientra, Inc. (NasdaqGS:SIEN), a medical aesthetics company, acquired the **tissue expander portfolio from Specialty Surgical Products, Inc.** for US\$7M on November 2, 2016. The business comprises of distribution of breast tissue expanders.
- Texas-based HealthTronics, Inc., a provider of integrated urological and interventional radiology products and services, acquired Minnesota-based **HealthTech Solutions, Inc.** on October 31, 2016. HealthTech supplies and rents laser and surgical equipment for hospitals, clinics and medical offices in the Upper Midwest U.S.
- Florida-based soft contact lenses manufacturer and distributor ABB Optical Group, LLC acquired Cincinnati-based **Diversified Ophthalmics Inc.** and Memphis-based **Mid-South Premier Ophthalmics, LLC** on October 21, 2016. Both companies supply soft lenses and ophthalmic products.
- Missouri-based Enhanced Medical Services, LLC, operating as a reseller of new and pre-owned ophthalmic and eye care equipment, acquired Florida-based **Vision Systems, Inc.** on October 18, 2016. Vision Systems distributes pre-owned optical and ophthalmic equipment in the U.S.


Equipment

- B.C.-based biotechnology company Liberty Biopharma Inc., formerly known as Avagenesis Corp., acquired B.C.-based **Avapecia Life Sciences Corp.** (CNSX:WS) for CAD\$12M on January 3, 2017. Avapecia manufactures and sells stem cell bioprocessing systems.
- San Diego-based provider of mobile health and safety solutions for seniors and their caregivers GreatCall, Inc. acquired Minnesota-based **Healthsense, Inc.** on December 20, 2016. Healthsense provides remote monitoring services for the senior care continuum.
- California-based Hygiena, LLC, a manufacturer of hygiene monitoring systems and rapid dilution systems, agreed to acquire Delaware-based **DuPont Qualicon, Inc.** from DuPont Nutrition & Health on December 14, 2016. DuPont provides science-based microbial diagnostics products for pharmaceutical companies.
- New York-based PL Developments, Inc., a manufacturer of over-the-counter pharmaceutical and consumer healthcare products, acquired Florida-based **Health-Chem Diagnostics, LLC** on October 31, 2016. Health-Chem produces point-of-care medical diagnostic products for use at home and other healthcare locations.

Equipment (cont'd)

- U.S. PE firm Windjammer Capital Investors acquired Massachusetts-based **Advanced Instruments, Inc.** on October 31, 2016. Advanced Instruments manufactures and distributes laboratory test equipment for the clinical, food and dairy, microbiology, pharmaceutical and biotech markets.
- St. Louis-based ISTO Technologies, Inc., a developer of orthobiologic products for spine, orthopedics and sports medicine, acquired Cleveland-based **Arteriocyte Medical Systems, Inc.** from Arteriocyte, Inc. on October 19, 2016. Arteriocyte develops and markets medical products to improve surgical outcomes in cardiac, orthopedic and vascular surgeries.
- Hong Kong-based Modern Dental Group Limited (SEHK:3600), an investment holding company that produces dental prosthetic devices worldwide, acquired California-based **MicroDental Laboratories, Inc.** on October 3, 2016. MicroDental fabricates and supplies dental restorations for dental practices in the U.S.

Assisted Living Facilities & Services

- Vancouver-based retirement home operator Cedar Tree Investment Canada Inc., a subsidiary of Anbang Insurance Group Co. Ltd., agreed to acquire an unknown majority stake in Vancouver-based **Retirement Concepts Group, LLC** on November 28, 2016. Retirement Concepts operates retirement communities and homes in B.C. and Quebec. 
- Texas-based Sagora Senior Living, Inc., a subsidiary of TCG Holdings, L.P., acquired Dallas-based **U.S. Memory Care, LLC** on December 15, 2016. U.S. Memory Care operates an assisted living and memory care community in Texas now known as Ellery Arbor Memory Care.
- Tennessee-based real estate investment trust National Health Investors Inc. (NYSE:NHI) acquired Connecticut-based **Shoreline Life Care LLC** for US\$74M on November 8, 2016. Shoreline, doing business as Evergreen Woods, operates a care retirement community in Connecticut.
- Dallas-based senior housing owner and operator CHG Senior Living, LLC acquired Arkansas-based residential assisted living facility owner and operator **Stonehaven Assisted Living, LLC** on November 1, 2016.
- San Francisco-based Dignity Health, an owner and operator of healthcare facilities in California, Arizona and Nevada, agreed to acquire Colorado-based **Catholic Health Initiatives** on October 24, 2016. Catholic Health operates as a healthcare system in the U.S. The deal would combine 103 hospitals owned by Catholic Health Initiatives, with 39 hospitals operated by Dignity Health. Combined revenue could reach an estimated US\$27.8B based on the most recent financial statements.
- U.S.-based skilled nursing facility owner OHI Asset Homestead LLC acquired Florida-based **LP Homestead, LLC**, doing business as Signature HealthCARE of Brookwood Gardens, from Welltower Inc. (NYSE:HCN) for US\$11.1M on October 4, 2016.

"Vascular Solutions has established a strong franchise focused on interventional cardiology and interventional radiology which complements Teleflex's existing businesses," said **Teleflex CEO Benson Smith on the acquisition of Vascular Solutions**. "Importantly, while we believe Vascular Solutions has compelling growth opportunities as they continue to build their business with their existing product portfolio, we look forward to potential longer-term tailwinds as we benefit from their robust R&D pipeline and our international distribution network moving forward."

Smith noted that the deal would meet the company's M&A goals, while also adding products that:

- Allow for "synergy generation"
- Provide a superior clinical benefit to existing alternatives and a cost benefit to hospitals
- Have long product life cycles that benefit from patent protection
- Enable the company to further improve its financial profile

"At the highest level, we saw 4 key reasons to pursue this transaction. First, we felt the ability to offer the full product suite was a unique opportunity to become a big player, where ICU has been a smaller player in a category dominated by multinationals. Second, we saw benefits as we, the supplier, could integrate with our distributor, Hospira, to offer more value to our end customers together. Third, getting global is incredibly hard for a small company. This transaction gave us an opportunity to globalize in a major way. And lastly, we felt we could deliver shareholder value creation based on our team's collective experiences and the skills we have sharpened over the last few years at ICU Medical and previous companies." - **ICU Medical's Vivek Jain, Chairman & CEO, on the acquisition of Hospira's Infusion Systems Business**

"We are deploying our cash into strategic, immediately accretive acquisitions. We completed more than \$138 million of acquisitions in 2016 and they are expected to generate a 15.8% first year return on equity. We closed an additional \$85 million acquisition in January 2017 and are conducting due diligence on additional acquisitions of high-quality senior housing communities in states with extensive existing operations." - **Lawrence Cohen, CEO & Vice Chairman - Capital Senior Living Corporation** "Going forward, acquisitions will remain a key component of our capital allocation strategy. With these announced transactions, we continue to increase our owned real estate portfolio, and we continue to believe that the ownership versus lease model provides significant strategic and financial benefits."

"So the priority for cash is twofold, it's debt paydown and it's M&A, and we remain very active on M&A. We're looking for both tuck-in acquisitions and things that are more transformative, like SurgiQuest. Obviously, to do something like that, it has to be a great fit. So we're very active and continue to look to add to the portfolio and think that's the right thing to do at this stage in CONMED's evolution" - **Curt Hartman, CEO, President & Director - CONMED Corporation**

Sources: Capital IQ - Public Transcripts, PR Newswire

"Our philosophy around M&A is that there are sort of 4 fundamentals. One, it has to be a strategic fit. That may be geographic, that may be complementing test menu or capabilities. But the transaction has to fit our well-articulated, long-term strategy. Second, it has to meet financial metrics. So IRR, return on invested capital, multiples, synergy, opportunities. These are things that are a very important part of how we think about acquisitions. Third, it has to create or present a future growth opportunity. And then fourth, of course, is EPS accretion. We fundamentally want these deals to be immediately accretive, but we certainly think about them being accretive over time as an important consideration." - **David King, CEO & President - Laboratory Corporation of America Holdings**

"We capped off a terrific year for M&A by closing 2 acquisitions during the fourth quarter, both in our I/DD service line, bringing the total number of companies acquired in fiscal year 2016 to 12. Eight of these 12 companies are in our Human Service segment, 6 I/DD companies and 2 Adult Day Health businesses and 4 are in our SRS segment. These 12 companies have total annual revenues of more than \$48 million. Moving forward, our M&A pipeline remains very strong, with attractive opportunities in our I/DD, SRS and ADH service lines." - **Bruce Nardella, Chairman of the Board, CEO & President - Civitas Solutions, Inc.**

"The acquisition pipeline continues to be strong, and we are actively pursuing deals in both the Long-term care, the institutional core and diversified businesses." - **Gregory Weishar, CEO, President & Director - PharMerica Corporation**

"So you've seen the acquisition we closed in January of last year. That was the largest acquisition we've done. And then, we closed the acquisition of Ateb, the leading retail pharmacy software provider last month. We definitely are inquisitive going forward as well. Growth via acquisitions is part of our long-term strategy" - **Peter Kuipers, CFO - Omnicell, Inc.**

"So in 2016, we continued to expand our portfolio through responsible and disciplined M&A, and these are the 8 transactions that were previously announced, about \$1.5 billion of capital deployment. You can kind of separate these into categories of platform technologies. The advantage here that we have is because of our concentration on musculoskeletal health. We can make investments in technologies that we believe are going to be transferable and leverageable across all anatomical sites. We've done this very successfully in the past. We will continue to do so." - **David Dvorak, CEO, President & Director - Zimmer Biomet Holdings, Inc.**

"We also completed the acquisition of MIS Implants. MIS represents our first entry into the \$1.5 billion faster-growing value implant segment. We are pleased with the performance of MIS to date. We continue to evaluate and engage on a number of attractive acquisition targets and expect to be active in this area again in 2017." - **Jeffrey Slovin, CEO & Director - DENTSPLY Sirona Inc.**



We are including some general Canadian PE and banking trends. Although some of the trends may not be specific to Healthcare, they are a barometer of M&A activity in the general Canadian mid-market.

North American Private Equity (“PE”) Trends

Healthcare

- PE firms participated in 10 North American M&A majority stake transactions related to the healthcare sector in Q4 2016 which is the second highest quarterly total dating back to Q4 2013. These 10 deals or 9% of the total deal activity remained consistent when compared with 2015/2016 quarterly averages which generally range between 5% – 9% of total deal activity. There were an additional five non PE financial transactions while the remainder were considered strategic.

General Canadian PE Trends for the year 2016⁽¹⁾

- Canadian buyout and related PE transactions across all industries dropped significantly in 2016 with both decreasing deal values and volumes.
- The value of disclosed transactions (announced or completed) for 2016 totaled CAD\$18.0B, a 19% decrease compared to 2015 and a 44% decrease compared to the CAD\$32B invested in 2014.
- Total number of deals for 2016 (announced or completed) dropped by 28% to 303 deals compared to 2015, its lowest year since 2010, while also experiencing its worst Q4 2016 since 2009.
- British Columbia was the only province to see its PE deal volumes increase in 2016 while Quebec saw the country’s largest decline. Quebec volumes collapsed by 40% compared to 2015 followed by Ontario at 25%.
- Ontario continued to attract the largest investments in 2016 but did experience a slight drop of 11% compared to 2015. Cities attracting the most PE investment were Toronto which drew CAD\$8.5B through 79 deals followed by Calgary with CAD\$4.8B invested in 44 deals.
- Internationally, Canadian PE funds experienced a much less active year in 2016 with only 106 deals valued at CAD\$102.5B compared to the 132 deals valued at CAD\$140B in 2015 (best year on record). While this year’s total may seem low, it will still go on record as being the second largest total, by a wide margin, for international investment.
- Non-Canadian lead investors reached 31%, a high not seen since 2011 when 33% of Canadian deals were led by international firms.
- In addition to the decline in PE investment in Canadian companies on a year-over-year basis, investment activity also continues to decline when compared to Canadian M&A activity overall. PE deals reached a peak of 28% of all M&A deals in 2015 but has since dropped to a three-year-low of only 20% in 2016.
- Fundraising efforts of Canadian buyout funds continued to maintain strong levels for 2016 with a total of CAD\$45.4B of new capital committed.

Sources: ⁽¹⁾ Thomson Reuters, Canadian Venture Capital & Private Equity Association



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- ◆ Restructurings ◆ Strategic Reviews ◆ Valuations and Fairness Opinions

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