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Healthcare Industry

Quarterly Review – Q1 2017

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Welcome to CCC Investment Banking's Healthcare Industry Review covering the first quarter of 2017.

M&A Activity Levels – There were 116 announced or completed North American healthcare transactions in the first quarter of 2017. This result rises slightly above the 112 deals announced in the previous two quarters but still remains below the 2015/16 quarterly average of 124 deals. There were two healthcare sectors that saw an increase in deal volume compared to the previous quarter with the Equipment sector increasing the most by 118% followed by Technology at 31%. The Equipment sector rebounded to 24 deals after reaching a quarterly total of 11 deals in Q4 2016, its lowest dating back to Q1 2012. The remaining four sectors to experience a decline consist of the Supplies sector which dropped by 53% followed by Distribution at 43%, Services at 19% and Facilities at 9%.

Buyer Composition – There were only six healthcare Private Equity (“PE”) deals in Q1 2017 representing approximately 5% of the total deal activity in the quarter. This result drops significantly below the past two year quarterly average of nine PE deals. There were also an additional four non PE financial transactions while the remaining 106 deals were all completed by strategic acquirers.

Canadian Deals – There were 11 Canadian-based healthcare deals announced in Q1 2017 representing approximately 9% of the North American healthcare deal activity. This results in a minor increase when compared to the previous quarter (nine deals) but remains consistent with the previous two year quarterly averages when Canadian deals represented between 7% and 10% of the North American healthcare transaction volume. Of these 11 deals, 10 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 three.

Overall Canadian M&A activity across all industries dropped to 267 change of control transactions in Q1 2017. This compares to Q4 2016 (281 deals), Q3 2016 (219 deals) and Q1 2016 (242 deals) but remains above the past two year quarterly average of 261 deals.

Public Market Valuations and Profit Margins – The healthcare market surged in overall market value in Q1 2017 continuing its trend of mixed results from quarter to quarter. The CCC Healthcare Index increased by 22.1%, the index's largest jump since Q1 2015, after falling 14.4% in the previous quarter. This can be directly attributed to the increase of 71% of the 42 stocks identified in the CCC Healthcare Index. When compared to other market indexes, the CCC Healthcare Index outperformed both the NASDAQ and S&P/TSX which also rose by 19.7% and 1.9% respectively. Enterprise Value/EBITDA¹ multiples in five of the six subsectors experienced an increase compared to Q4 2016. The Technology sector increased the most (+2.0x), reaching its highest average multiple since Q4 2015, followed by both Services and Supplies (+0.6x), Equipment (+0.5x) and Distribution (+0.2x). The only sector to experience a decline involved Facilities (-0.3x). Overall profitability margins, as defined by sector median EBITDA¹/Revenue, experienced an increase in just the Services (+1.8%) and Equipment (+0.7%) sectors. The remaining four sectors to undergo a decline include Technology (-2.1%), Facilities (-0.7%), Supplies (-0.6%) and Distribution (-0.1%).

Thank you,



William (Bill) F. Rogers
Managing Director and CEO



Robert Bird, CPA, CA, CFA
Managing Director

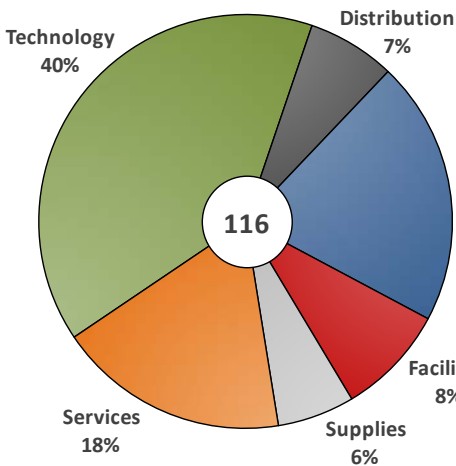


M&A Trends Q1 2017

Healthcare M&A Highlights

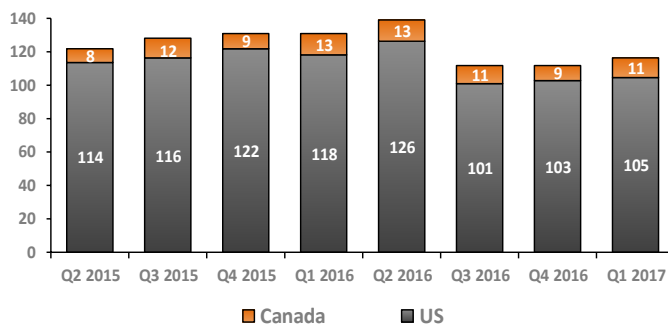
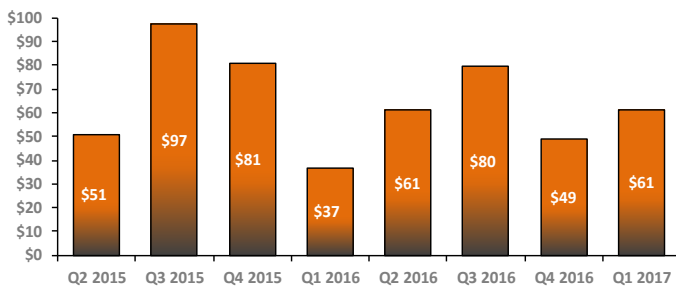
- 116 majority stake transactions were announced or completed in Q1 2017 which is a slight increase compared to the 112 announced or completed deals in the previous two quarters. This result does however drop 11% when compared to Q1 2016 while also remaining well below the 2015/16 quarterly average of 124 deals.
- Only two of the six healthcare sectors saw an increase in deal volume compared to the previous quarter. The largest increase involved the Equipment sector with announced deals increasing by a whopping 118% to 24 transactions followed by Technology at 31%. Sectors with decreasing deal volume include Supplies which fell 53% to seven transactions (its lowest volume since Q2 2015) followed by Distribution at 43%, Services at 19% and Facilities at 9%.
- Average transaction value for all deals with disclosed values under US\$500M (24 publicly identified deals) was US\$61M. This represents a 26% increase when compared to the previous quarter and jumps back above the 2016 quarterly average of US\$57M. This is a direct result of the high number (25%) of deals valued above US\$150M in the quarter.

Q1 2017 North American Healthcare Deal Volume by Sector



	Q1 15	Q2 15	Q3 15	Q4 15	Annual 2015	Q1 16	Q2 16	Q3 16	Q4 16	Annual 2016	Q1 17
Technology	48	48	48	43	187	51	50	39	35	175	46
Distribution	11	12	10	20	53	12	13	18	14	57	8
Equipment	15	17	21	21	74	20	28	26	11	85	24
Facilities	10	18	12	16	56	16	10	8	11	45	10
Supplies	8	7	13	9	37	13	14	10	15	52	7
Services	24	20	24	22	90	19	24	11	26	80	21
Total	116	122	128	131	497	131	139	112	112	494	116

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

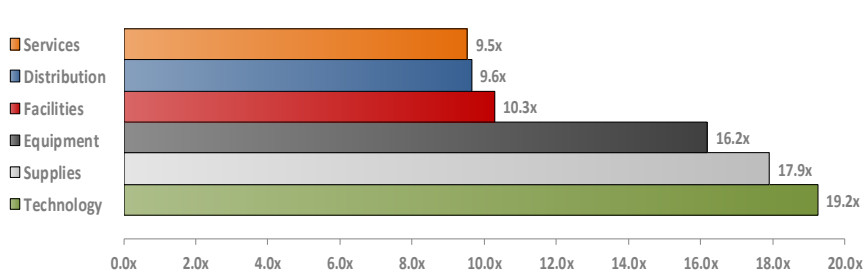


Public Market Valuation Metrics

Q1 2017

The charts below show North American Q1 2017 EV/EBITDA and EBITDA/Revenue by sector.

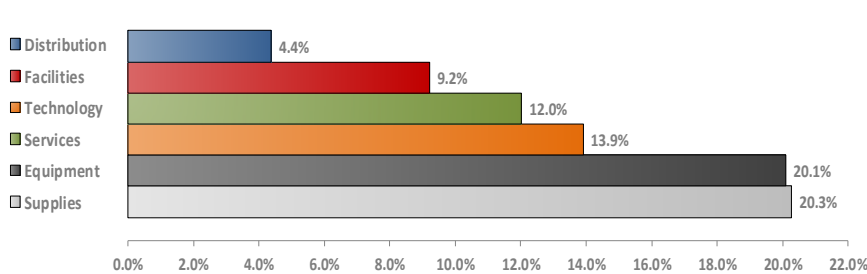
Median Q1 2017 LTM EV/EBITDA by Sector



	# ⁽¹⁾	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Services	16	9.4x	9.1x	10.2x	9.2x	8.9x	9.5x
Distribution	8	11.6x	10.3x	10.2x	9.7x	9.4x	9.6x
Facilities	11	10.0x	10.3x	9.9x	10.3x	10.6x	10.3x
Equipment	47	14.8x	14.7x	15.9x	17.3x	15.7x	16.2x
Supplies	22	13.9x	13.8x	13.9x	15.4x	17.3x	17.9x
Technology	19	20.1x	18.9x	18.5x	18.3x	17.2x	19.2x

⁽¹⁾ # of publicly traded companies identified

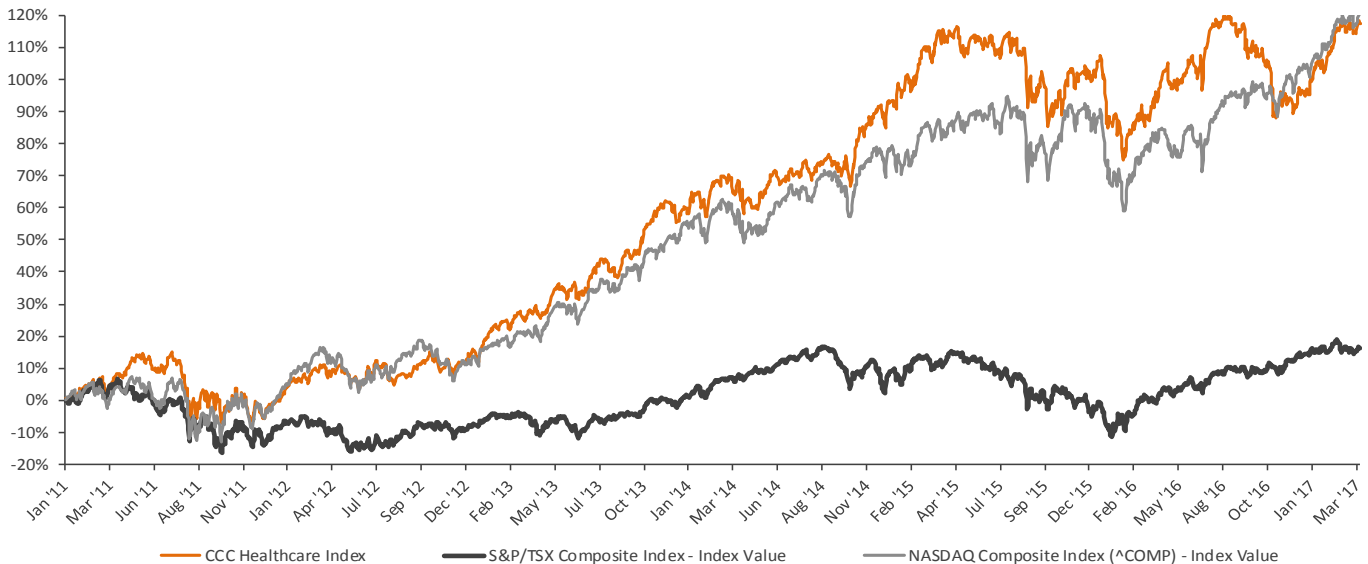
Median Q1 2017 LTM EBITDA/Revenue



	# ⁽¹⁾	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Distribution	8	5.5%	5.5%	4.6%	4.5%	4.5%	4.4%
Facilities	11	9.4%	9.9%	10.0%	9.9%	9.9%	9.2%
Technology	19	12.8%	11.9%	14.1%	12.8%	14.1%	12.0%
Services	16	12.5%	12.9%	14.0%	12.9%	12.1%	13.9%
Equipment	47	18.7%	19.3%	19.4%	19.0%	19.4%	20.1%
Supplies	22	21.5%	19.7%	19.4%	20.7%	20.9%	20.3%

⁽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 March 31, 2017.



* 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

Q1 2017

Ticker	Company	Stock Price 31-Mar-17	52 Week High Low		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⁾
Technology												
		(US\$)			(US\$ millions)							
NasdaqGS:ATHN	athenahealth, Inc.	\$112.69	\$143.85	\$90.11	\$4,597	\$284	\$1,112	\$112	10%	2.52x	4.13x	40.90x
NasdaqGS:CERN	Cerner Corporation	\$58.85	\$67.50	\$47.01	\$19,611	\$564	\$4,708	\$1,315	28%	0.43x	4.17x	14.91x
NasdaqGS:MDSO	Medidata Solutions, Inc.	\$57.69	\$58.77	\$37.36	\$3,219	\$267	\$486	\$72	15%	3.69x	6.62x	44.49x
* NasdaqGS:OMCL	Omniceil, Inc.	\$40.65	\$41.15	\$26.46	\$1,702	\$254	\$693	\$63	9%	4.04x	2.46x	27.04x
NasdaqGS:QSII	Quality Systems Inc.	\$15.24	\$15.90	\$10.61	\$953	\$25	\$505	\$61	12%	0.41x	1.89x	15.56x
Avg.											3.85x	28.58x
Equipment												
NYSE:BDX	Becton, Dickinson and Company	\$183.44	\$186.11	\$150.71	\$49,091	\$11,017	\$12,419	\$3,262	26%	3.38x	3.95x	15.05x
NYSE:BSX	Boston Scientific Corporation	\$24.87	\$25.65	\$18.65	\$39,334	\$5,514	\$8,582	\$2,200	26%	2.51x	4.58x	17.88x
Nasdaq:CNMD	CONMED Corporation	\$44.41	\$50.16	\$37.60	\$1,707	\$498	\$769	\$125	16%	3.99x	2.22x	13.66x
NasdaqGS:HOLX	Hologic Inc.	\$42.55	\$42.97	\$32.64	\$14,558	\$3,323	\$2,872	\$1,045	36%	3.18x	5.07x	13.94x
NYSE:RMD	ResMed Inc.	\$71.97	\$73.46	\$55.43	\$10,575	\$1,168	\$2,029	\$559	28%	2.09x	5.21x	18.92x
Avg.											4.21x	15.89x
Supplies												
NasdaqGS:ATRI	ATRION Corp.	\$468.20	\$522.05	\$385.00	\$815	\$0	\$143	\$48	34%	-	5.68x	16.94x
Nasdaq:XRAY	DENTSPLY SIRONA Inc.	\$62.44	\$65.83	\$55.00	\$15,462	\$1,533	\$3,745	\$780	21%	1.97x	4.13x	19.84x
NYSE:HAE	Haemonetics Corporation	\$40.57	\$41.65	\$25.98	\$2,316	\$336	\$900	\$135	15%	2.50x	2.57x	17.21x
NasdaqGS:UTMD	Utah Medical Products Inc.	\$62.30	\$75.00	\$56.30	\$205	\$0	\$39	\$19	50%	-	5.22x	10.54x
NYSE:WST	West Pharmaceutical Services, Inc.	\$81.61	\$88.30	\$68.42	\$6,011	\$230	\$1,535	\$349	23%	0.66x	3.92x	17.21x
Avg.											4.30x	16.35x
Distribution												
NYSE:ABC	AmerisourceBergen Corporation	\$88.50	\$94.50	\$68.38	\$21,918	\$4,480	\$148,310	\$2,158	1%	2.08x	0.15x	10.16x
NYSE:CAH	Cardinal Health, Inc.	\$81.55	\$87.85	\$62.70	\$29,439	\$5,461	\$128,394	\$3,091	2%	1.77x	0.23x	9.52x
NYSE:OMI	Owens & Minor Inc.	\$34.60	\$41.48	\$30.43	\$2,603	\$675	\$9,723	\$267	3%	2.52x	0.27x	9.74x
NYSE:MCK	McKesson Corporation	\$148.26	\$199.43	\$114.53	\$39,599	\$9,123	\$196,498	\$4,624	2%	1.97x	0.20x	8.56x
NYSE:PMC	PharMerica Corporation	\$23.40	\$28.72	\$19.20	\$1,188	\$473	\$2,091	\$129	6%	3.66x	0.57x	9.20x
Avg.											0.28x	9.44x
Facilities												
NYSE:BKD	Brookdale Senior Living Inc.	\$13.43	\$19.42	\$10.65	\$8,319	\$6,045	\$4,239	\$796	19%	7.59x	1.96x	10.45x
NYSE:CSU	Capital Senior Living Corp.	\$14.06	\$20.85	\$12.65	\$1,327	\$939	\$446	\$76	17%	12.38x	2.98x	17.49x
TSX:EXE	Extendicare Inc.	\$7.57	\$8.07	\$5.72	\$974	\$375	\$790	\$70	9%	5.35x	1.22x	13.79x
NYSE:KND	Kindred Healthcare Inc.	\$8.35	\$15.66	\$5.65	\$3,937	\$3,243	\$7,220	\$546	8%	5.94x	0.55x	7.21x
TSX:SIA	Sienna Senior Living Inc.	\$13.00	\$13.61	\$11.43	\$1,146	\$562	\$371	\$59	16%	9.58x	3.07x	19.37x
Avg.											1.96x	13.66x
Services												
NasdaqGM:AIQ	Alliance Healthcare Services, Inc.	\$10.25	\$10.50	\$5.73	\$767	\$549	\$506	\$124	25%	4.41x	1.52x	6.17x
NYSE:CIVI	Civitas Solutions, Inc.	\$18.35	\$23.20	\$15.87	\$1,267	\$637	\$1,421	\$155	11%	4.11x	0.89x	8.18x
NYSE:LH	Laboratory Corp. of America Holdings	\$143.47	\$145.00	\$115.98	\$20,108	\$5,921	\$9,550	\$1,851	19%	3.20x	2.11x	10.86x
NasdaqGS:LHCG	LHC Group, Inc.	\$53.90	\$54.31	\$32.04	\$1,082	\$88	\$900	\$84	9%	1.05x	1.20x	12.89x
NYSE:DGX	Quest Diagnostics Inc.	\$98.19	\$100.00	\$70.92	\$17,073	\$3,819	\$7,551	\$1,422	19%	2.69x	2.26x	12.01x
Avg.											1.60x	10.02x

Notes:

As at March 31, 2017

(1) All trading multiples based upon trading currency

Source: Capital IQ

*** Quarterly Company Featured: Omnicell Inc.**

Sector: Healthcare Technology

Location: Mountain View, California, U.S.A.

Website: www.omnicell.com

Description: Omnicell Inc. (NasdaqGS:OMCL) has been inspired to create safer and more efficient ways to manage medications and supplies across all care settings. As a leader in medication and supply dispensing automation, central pharmacy automation, IV robotics, analytics software, and medication adherence and packaging systems, Omnicell is focused on improving care across the entire healthcare continuum—from the acute care hospital setting, to post-acute skilled nursing and long-term care facilities, to the patient's home. Over 4,000 customers worldwide use Omnicell® automation and analytics solutions to increase operational efficiency, reduce medication errors, deliver actionable intelligence, and improve patient safety.

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

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Technology

- Mississauga-based Smart Employee Benefits, Inc. (TSXV:SEB), a global technology and health benefits infrastructure serving corporate and government clients, agreed to acquire the **Canadian admin business from London-based Aon plc** (NYSE:AON) on March 31, 2017. The business consists of health and welfare administration technology solutions.
- Toronto-based healthcare information technology (“IT”) mobile solutions provider VitalHub Corp. (TSXV:VHI) agreed to acquire **Toronto-based H.I. Next Inc.** for CAD\$5.2M on February 23, 2017. H.I. Next offers peer reviewed tools to identify and address the full range of behavioral, medical, and social problems affecting the seriously mental ill. The deal represents a **Total Enterprise Value (“TEV”) to Last Twelve Months (“LTM”) Revenue of 1.6x**. In a related transaction, VitalHub also agreed to acquire Toronto-based **B Sharp Technologies Inc.**, a developer of client case management and electronic documentation solutions for healthcare and social services organizations, for CAD\$3.9M on February 17, 2017. The deal represents a **TEV to LTM Revenue of 2.2x**.
- U.S. PE firm Genstar Capital, LLC acquired Pennsylvania-based **Bracket Global, LLC** from Parthenon Capital Partners on March 28, 2017. Bracket provides clinical services and clinical technology solutions for various clinical trials.
- Texas-based HMS Holdings Corp. (NasdaqGS:HMSY), a provider of coordination benefits, payment integrity and care management solutions for payers, agreed to acquire Massachusetts-based **Eliza Corporation** from various investors for US\$170M on March 10, 2017. Eliza provides health engagement management solutions.
- Arizona-based telemedicine company GlobalMedia Group, LLC acquired Florida-based **TreatMD, Inc.** on March 8, 2017. TreatMD provides an on-demand healthcare platform that enables patients to interact with healthcare providers worldwide.
- Georgia-based patient-to-payment healthcare solutions provider nThrive, Inc. acquired Maryland-based **e4e Inc.** on March 8, 2017. e4e, a healthcare services outsourcing company, provides IT-enabled and business process management services.
- Nashville-based Envision Healthcare Corporation (NYSE:EVHC), a provider of various healthcare services in the U.S., agreed to acquire California-based **Imaging Advantage LLC** on March 7, 2017. Imaging Advantage develops and provides a cloud based technology platform for healthcare facilities and radiologists.
- India-based Omega Healthcare Management Services Private Limited acquired North Carolina-based **WhiteSpace Health, Inc.** on March 7, 2017. WhiteSpace provides data analytics and cloud healthcare intelligence solutions for healthcare providers.
- Texas-based computer consulting and programming support services provider Tech Mahindra (Americas), Inc., a subsidiary of Tech Mahindra Limited (NSEI:TECHM), agreed to acquire **The HCI Group** for US\$220M on March 6, 2017. The HCI Group offers healthcare technology consulting services. The deal represents a **TEV to LTM Revenue of 1.9x**.

Technology (cont’d)

- Florida-based One Call Care Management, Inc., a provider of specialized cost containment services to the workers’ compensation industry in the U.S., acquired New York-based **High Line Health** on February 23, 2017. High Line operates a value-based analytics and data visualization platform that facilitates the measurement and tracking of healthcare quality and efficiency.
- North Carolina-based Medfusion, Inc., an operator of a patient engagement portal to improve healthcare services, acquired New York-based **NexSched, LLC** on February 21, 2017. NexSched operates an online platform for patient self-scheduling.
- New Jersey-based ELLKAY, LLC, a provider of healthcare connectivity and data plumbing solutions, acquired the assets of New Jersey-based **CareEvolve.com, Inc.** from Opko Health, Inc. on February 17, 2017. CareEvolve provides Internet-based order entry and results reporting solutions for laboratory, pathology and radiology outreach businesses.
- California-based InTouch Technologies, Inc., a leading specialty telehealth enterprise provider and doing business under the name InTouch Health, acquired **C30 Medical Corporation** on January 31, 2017. C30 is a physician-led telemedicine management and physician coverage provider consisting of board certified specialists in Tele-Neurology and Tele-Neurocritical Care.
- Virginia-based Concept Plus, LLC, a professional services firm specializing in the comprehensive design, implementation, and maintenance of IT initiatives for the Federal Government, acquired Virginia-based **Thao, Inc.** on January 30, 2017. Thao provides health IT services and program management support exclusively to federal healthcare customers.
- San Francisco-based pharmaceutical distribution services and IT company McKesson Corporation (NYSE:MCK) agreed to acquire **CoverMyMeds LLC** from Francisco Partners Management LLC and others for US\$1.4B on January 24, 2017. CoverMyMeds provides electronic prior authorization solutions for hospitals, prescribers, and pharmacists.
- Netherlands-based QIAGEN N.V. (NasdaqGS:QGEN), a company that engages in providing Sample to Insight solutions that transform biological samples into molecular insights, acquired North Carolina-based **OmicSoft Corporation** on January 9, 2017. OmicSoft focuses on biomarker data management, visualization and analysis.
- California-based Omicia, Inc, a developer of scalable and integrated informatics systems to interpret human genome sequences, acquired Seattle-based genomic bioinformatics company **Spiral Genetics, Inc.** on January 23, 2017.
- New York-based Formativ Health, a developer of solutions that address practice management, patient access and revenue cycle management, acquired New York-based **Etransmedia Technology, Inc.** from Praesidian Capital and others on January 12, 2017. Etransmedia creates software, service and connectivity solutions to simplify critical functions in the healthcare community.



Featured Transactions

Q1 2017

Technology (cont'd)

- Texas-based Aprima Medical Software, Inc., a provider of EMR, practice management and revenue cycle management for medical practices, acquired Florida-based **Healthcare Data Solutions, LLC** on January 18, 2017. Healthcare Data works with physicians to identify IT solutions that support their ongoing system needs.
- Nashville-based Sarah Cannon Research Institute, LLC, a subsidiary of HCA Healthcare, Inc. (NYSE:HCA), acquired precision medicine software company **GenoSpace, LLC** on January 12, 2017.
- San Francisco-based Castlight Health, Inc. (NYSE:CSLT), a health benefits platform operator, agreed to acquire California-based digital health benefits platform **Jiff, Inc.** for approximately US\$150M on January 4, 2017. Through this acquisition, the companies hope to offer the most comprehensive health benefits platform in the industry.

Equipment

- Virginia-based ophthalmic equipment manufacturer **Lombart Brothers, Inc.**, doing business as Lombart Instrument Co., acquired Toronto-based ophthalmic instrument manufacturer **INNOVA Medical Ophthalmics Inc.** on March 9, 2017.
- Ontario-based medical device manufacturer Teleflex Medical Canada Inc., a subsidiary of Teleflex Incorporated (NYSE:TFX), acquired B.C.-based **Pyng Medical Corp.** (TSXV:PYT) for US\$15.8M on April 3, 2017. Pyng Medical develops trauma and resuscitation products for front-line critical care personnel worldwide. The deal represents a **TEV to LTM Revenue of 3.5x**.
- Utah-based Dynatronics Corporation (NasdaqCM:DYNT), a manufacturer of physical medicine products in North America, acquired substantially all assets of New Jersey-based **Hausmann Industries, Inc.** for US\$10M on April 3, 2017. Hausmann manufactures medical, therapy and athletic training equipment to customers in the U.S. and internationally. The deal represents a **TEV to LTM EBITDA of 9.1x** and a **TEV to LTM Revenue of 0.7x**.
- U.K.-based vascular and cardiovascular products manufacturer Vascutek Ltd., a subsidiary of Terumo Corporation, acquired Florida-based **Bolton Medical, Inc.** from Werfen Life Group, S.A. for approximately US\$170M on March 31, 2017. Bolton Medical develops endovascular solutions for aortic treatment.
- New Jersey-based Ethicon, Inc., a manufacturer of surgical solutions and medical devices for clinicians and a subsidiary of Johnson & Johnson (NYSE:JNJ), acquired Minnesota-based **Torax Medical, Inc.** on March 23, 2017. Torax develops devices and products to restore the barrier function of sphincters.
- Massachusetts-based Hologic Inc. (NasdaqGS:HOLX), a manufacturer of diagnostic products and medical aesthetic systems, acquired Massachusetts-based aesthetic treatment systems manufacturer **Cynosure, Inc.** (NasdaqGS:CYNO) from various investors for US\$1.6B in cash on March 21, 2017. The deal represents a **TEV to LTM EBITDA of 25.9x** and a **TEV to LTM Revenue of 3.4x**.

Equipment (cont'd)

- Germany-based Otto Bock HealthCare GmbH, a prosthetics and orthotics solutions company and a subsidiary of Otto Bock Holding GmbH & Co. KG., acquired Massachusetts-based prosthetic device manufacturer **BionX Medical Technologies, Inc.** on March 8, 2017.
- Wisconsin-based TIDI Products, LLC, a manufacturer of single-use infection prevention products, acquired California-based **J.T. Posey Company, Inc.** on February 28, 2017. J.T. Posey is a leading manufacturer of falls management and patient safety products.
- Ireland-based pharmaceutical company Allergan plc (NYSE:AGN) agreed to acquire **ZELTIQ® Aesthetics, Inc.** (NasdaqGS:ZLTQ) from Aisling Capital LLC and others for US\$2.4B on February 14, 2017. The deal represents a **TEV to LTM EBITDA of 143.3x** and a **TEV to LTM Revenue of 6.8x**. ZELTIQ® is a medical technology company focused on developing and commercializing products utilizing its proprietary controlled-cooling technology platform.
- New York-based medical diagnostic equipment manufacturer Welch Allyn, Inc., a subsidiary of Hill-Rom Holdings, Inc. and Hill-Rom EU LLP, acquired Milwaukee-based diagnostic electrocardiography product manufacturer **Mortara Instrument, Inc.** for US\$330M on February 14, 2017. The deal represents a **TEV to LTM Revenue of 2.9x**.
- Germany-based Schauenburg Service GmbH, a holding company of industrial enterprises worldwide and a subsidiary of Schauenburg Technology Se, acquired Alabama-based **OHD USA, Inc.**, a provider of equipment and services to healthcare providers of occupational medicine, on February 1, 2017.
- Cincinnati-based medical device manufacturer Ethicon Endo-Surgery, Inc., a subsidiary of Johnson & Johnson, acquired Utah-based electrosurgical device and accessory manufacturer **Megadyne Medical Products, Inc.** on January 20, 2017.
- Florida-based consumer health and wellness company Trividia Health, Inc., a subsidiary of Sinocare Inc. (SZSE:300298), acquired San Diego-based **Freedom Meditech, Inc.** on January 5, 2017. Freedom develops non-invasive ophthalmic medical devices.

Services

- Montreal-based MAB-Mackay Rehabilitation Centre acquired Montreal-based **Centre De Réadaptation Constance Lethbridge** on March 15, 2017. Centre De Réadaptation provides specialized and ultra-specialized rehabilitation services for adults with motor speech and language disabilities.
- Edmonton-based Vinergy Resources Ltd. agreed to acquire a 65% stake in Toronto-based drug testing services provider **Biolennia Laboratories Inc.** on February 21, 2017.
- Pennsylvania-based laboratory service provider VWR Corporation (NasdaqGS:VWR) acquired Virginia-based biorepository solutions provider **EPL Archives, Inc.** on March 22, 2017.
- Maryland-based physical therapy provider PT Network, LLC acquired Pennsylvania-based **ProCare Physical Therapy, Inc.** on March 22, 2017.



Featured Transactions

Q1 2017

Services (cont'd)

- A group led by Joseph M. Limber and U.S. PE firms Ampersand Capital Partners and 1315 Capital LLC acquired California-based **Genoptix, Inc.** from Novartis AG on March 7, 2017. Genoptix provides specialized oncology diagnostics services.
- North Carolina-based Laboratory Corporation of America Holdings (NYSE:LH) agreed to acquire Washington-based **Pathology Associates Medical Laboratories, LLC** from Catholic Health Initiatives and Providence St. Joseph Health on February 23, 2017. In a related transaction, Laboratory Corporation of America agreed to acquire the assets of **Clinical Outreach Laboratories** from New York-based Mount Sinai Health System Inc. on January 10, 2017.
- U.S. PE firm Bain Capital Private Equity, LP acquired Atlanta-based **Pediatric Services of America, Inc.**, now known as Aveanna Healthcare, from J. H. Whitney & Co., LLC and others on March 16, 2017. Aveanna provides pediatric home care services for medically fragile children and adults in the U.S.
- Arizona-based Banner Health, a nonprofit health care organization that owns and operates acute-care hospitals, agreed to acquire Arizona-based **SunLife Home Health, LLC** on January 12, 2017. SunLife provides care management and home health care services for chronic medical and cognitive conditions.
- Nashville-based healthcare services provider Envision Healthcare Corporation (NYSE:EVC) acquired Phoenix-based **Emergency Professional Services, P.C.** on January 6, 2017.

Distribution

- Vancouver-based Namaste Technologies Inc. (OTCPK:NXTT.F), a manufacturer of vaporizers and accessories for aromatherapy, agreed to acquire Toronto-based medical cannabis distributor **CannMart Inc.** for CAD\$3.6M on March 21, 2017.
- Calgary-based Amax Medical Dental Supply Limited acquired Montreal-based medical and dental product distributor **Denesco Dentaires** on January 27, 2017.
- Texas-based National HME, Inc., doing business as National Hospice MedEquip, acquired Georgia-based hospital and medical equipment distributor **Genesis Healthcare Services, Inc.** on February 23, 2017.
- Massachusetts-based ACE Surgical Supply Co., Inc., a subsidiary of Henry Schein, Inc. (NasdaqGS:HSIC), agreed to acquire South Carolina-based anesthesia supplies distributor **Southern Anesthesia & Surgical, Inc.** on February 20, 2017.
- South Dakota-based medical supplies distributor Concordance Healthcare Solutions LLC agreed to acquire California-based medical supplies and equipment distributor **Rockwell Medical Supply, Inc.** on February 20, 2017.
- Missouri-based Numotion, a provider of mobility solutions for individuals with complex medical mobility limitations, acquired Charlotte-based **BlueDot Medical, Inc.** on January 6, 2017. BlueDot distributes home medical equipment, respiratory and sleeping products and rentals and rehab equipment.

Assisted Living Facilities & Services

- Toronto-based senior housing owner Mainstreet Health Investments Inc. (OTCPK:MHIV.F) agreed to acquire **two skilled nursing facilities and one assisted living facility** from California-based The Ensign Group for US\$38M on March 14, 2017.
- Mississauga-based Chartwell Retirement Residences (TSX:CSH.UN), an independent real estate investment trust, agreed to acquire Ontario-based **The Orchards Retirement Residence** for US\$22M on January 10, 2017.
- California-based The Ensign Group (NasdaqGS:ENSG), a healthcare services provider in the post-acute care continuum and other ancillary businesses, acquired Las Vegas-based **Desert View Senior Living** on March 17, 2017.
- New York-based The Blackstone Group L.P. (NYSE:BX), a publicly owned hedge fund sponsor, acquired Ohio-based assisted living community operator **HCRIX Royal LLC** from Welltower Inc. for US\$17.1M on March 13, 2017.
- U.S.-based American Senior Housing REIT, LLC agreed to acquire **Oxford Grand McKinney**, an assisted living and memory care community, from CBC Oxford McKinney LLC for US\$16.5M in cash on February 14, 2017.
- Massachusetts-based Walden Behavioral Care, LLC, a hospital operator that specializes in treating eating disorders and other psychiatric disorders, acquired **Atlanta Center for Eating Disorders, LLC** on February 6, 2017.
- U.S.-based Care Investment Trust LLC and Greenfield Senior Living Inc. acquired Pennsylvania-based **Greenfield Senior Living of Lansdale** on January 9, 2017.

Supplies

- Austria-based medical glove manufacturer Semperit Technische Produkte Gesellschaft mbH acquired the remaining 75% stake in Florida-based medical hand protection manufacturer **Sempermed USA, Inc.** from various investors for US\$19.5M on March 15, 2017.
- New Jersey-based medical device company Integra Life Sciences Holdings Corporation (NasdaqGS:IART) acquired New Jersey-based **Derma Sciences, Inc.** for approximately US\$200M in cash on February 22, 2017. The deal represents a **TEV to LTM Revenue of 1.9x**. Derma focuses on advanced wound and burn care offering a full line of wound products and dressings.
- Utah-based Merit Medical Systems, Inc. (NasdaqGS:MMSI), a manufacturer of medical products for interventional and diagnostic procedures worldwide, acquired Utah-based **Catheter Connections, Inc.** for US\$38M on January 31, 2017. Catheter Connections develops vascular access products to protect patients from acquiring infections during intravenous infusion therapy.
- Chicago-based dental instrument and products manufacturer Hu-Friedy Mfg. Co., LLC acquired Connecticut-based **J. Palmero Sales Company, Inc.** on January 13, 2017. J. Palmero, a family-owned company, manufactures and sells a wide range of infection prevention and safety products for the dental office.

"Clearly, the demographics of pharmaceutical usage is improving, and we see that trend globally as well. So I think we continue to feel good about our position, and you see us deploying capital, I think, in a very intelligent way in high-growth areas, not only in new markets where we can, I think, be a consolidator and a new service provider, but also in our specialty acquisitions. You saw us buy Biologics last year with Vantage, which are good acquisitions for us. And we made a technology acquisition called CoverMyMeds, which comes in with a different profit profile and certainly not only is a good business on its own but provides significant service to the pharmaceutical manufacturers, the pharmaceutical payers and the patients that are dependent on getting their drugs at the right time at the right price at the pharmacy counter. And clearly, we continue to make Canadian acquisitions, another one of which was announced today. So I think we are well positioned. I think we've got the right assets. I think these assets have a correlation across borders and across boundaries in our businesses, and we have synergy that we can take advantage of that, in the end, delivers better value for our customers, so they can do a better job of clinical care and clearly do a better job of the economics associated with delivering that care." **John Hammergren, CEO & President – McKesson Corporation**

"Now, let me discuss acquisitions. The acquisition pipeline continues to be strong, and we are actively pursuing deals in both the LTC, the institutional core and diversified businesses. We increased the company's 2017 goal to acquiring annualized revenues of \$200M or greater. This is double the \$100M goal we have pursued over the past several years. This year, we are targeting 70% for diversified pharmacy businesses and 30% for institutional pharmacy businesses. However, given we have several pending transactions, we are currently including approximately \$5M of EBITDA related to 2017 acquisitions in guidance." **Gregory Weishar, CEO & President - PharMerica Corporation**

"On the M&A front, we're pleased with our progress here. Here's a quick snapshot of what we've done over the past 4, 5 years. We had a nice balance here of future pipeline deals that we've invested in, tuck-in acquisitions that we've made over the past few years as well as VC investments. We're more active than many in the VC area. We have about 20 active portfolio companies in our venture fund and we'll continue to look at this. But it shows a strong balance and very good capital allocation. We're really pleased with the integration success that we've had with these acquisitions over time." **Michael Mahoney, CEO & President – Boston Scientific Corporation**

"Number one about M&A is that we are -- I would argue last year, our focus really was to get the organization aligned, focused and deliver results for our customers. I think we've done that. I think at this point, we are looking at the industry, looking at opportunities for tuck-in M&A opportunities to help us build up that portfolio of primary containment all the way to delivery devices, so we can be really truly differentiated with our customers. But that's our focus at this point." **Eric Green, CEO - West Pharmaceutical Services, Inc.**

"We've said that we're quite comfortable in the 3 to 3.5x leverage range. And so we're making that way. If something larger were to come along that would push us over that number and maybe into the 4s for some short period of time, and we saw that we would bring it back down, none of that scares us away from a process or looking at any opportunity. But to be quite honest, the deals that are the most accretive for us and have the best long-term potential are not the biggest deals where there are big processes and where you're looking at a \$200M or \$300M deal. I mean, LifePoint, for example, was \$70M in existing revenue. And we're going to roll that out. And as we said, over the next few years, build out their current system. But they continue to grow and we continue to grow with them. So we're looking at a \$200M to \$250M revenue stream. That's really the way we like to grow. So the robust pipeline that we're talking about now is a pipeline that has opportunities that look similar to that lifeline -- to that LifePoint opportunity." **Keith Myers, CEO - LHC Group, Inc.**

"We have been evaluating various places to go over the course of the last 12 to 18 months, and identified medical aesthetics as a large \$2B-plus market that was growing at a high single digit, double-digit growth. And so we saw it as an attractive market with a lot of opportunity for continued expansion. And then the second piece of intersection there was really when we talk to our customers about where we had the opportunities and the rights to go, aesthetics continue to come up, particularly in our OB/GYN channel. And when we're talking to them, products that Cynosure had continued to kind of show up in their practices. And as they have desires to move to more cash-based procedures augmenting their practices and so forth, we thought that this was going to be a really exciting opportunity for us. And so we think that there's leverage down the road to really taking our strength in women's health and leveraging it into the medical aesthetics. So while the deal happened quickly, we have been studying this space for a while and thought it was a great opportunity to kind of segue into it relative to our surgical business." **Robert McMahon, CFO - Hologic, Inc. on its acquisition of Cynosure, Inc.**

"We are deploying our cash into strategic, immediately accretive acquisitions. We completed more than \$138M of acquisitions in 2016 and they are expected to generate a 15.8% first year return on equity. We closed an additional \$85M 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 - Capital Senior Living Corporation**

"Well, we continue to look very, very hard at places where we can be opportunistic. Not surprisingly, I mean, if you think about where we would consider M&A and growth, it's in our fast-growing businesses. We obviously like Home Health and Hospice. We like the community care side of the business a lot, and we're looking for opportunities there." **Benjamin Breier, CEO & President - Kindred Healthcare, Inc.**

Sources: Capital IQ - Public Transcripts, PR Newswire

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 six North American M&A majority stake transactions related to the healthcare sector in Q1 2017 after completing 10 in the previous quarter. These six deals or 5% of the total deal activity remained on the low end when compared with 2015/2016 quarterly averages which generally range between 5% – 9% of total deal activity. There were an additional four non PE financial transactions while the remainder were considered strategic.

General Canadian PE Trends for the first quarter of 2017⁽¹⁾

- Canadian buyout and related PE transactions across all industries saw mixed results in Q1 2017 with an increase in deal volumes but a decrease in overall values.
- The value of disclosed transactions (announced or completed) for Q1 2017 totaled CAD\$3.2B, a 43% decrease compared to Q4 2016.
- Total number of deals for Q1 2017 (announced or completed) increased by 25% to 81 deals compared to the same period last year, but still fell 22% short of the levels seen in Q1 2015.
- While most provinces saw a decrease in deal volumes, Ontario jumped 24% to 31 deals compared to Q4 2016 while also increasing 63% compared to the same period last year. Ontario’s overall Canadian share also jumped to 38%, a ten year high, while Quebec’s share dropped to 27%, a ten year low.
- Canada saw only three mid-market deals between CAD\$100M and CAD\$500M in Q1 2017 compared to five such deals in the same period last year and seven in Q1 2015.
- In addition to the decline in PE investment in Canadian companies on a year-over-year basis, investment activity also continued to decline when compared to Canadian M&A activity overall. PE deals reached a peak of 31% of the number of traditional M&A deals in Q4 2014 but has since dropped to only 19% in the first quarter of 2017, a three-year low.
- Fundraising efforts of Canadian buyout funds maintained very strong levels in 2016 with a total of CAD\$45.4B of new capital committed. Fundraising in the first quarter of 2017 did not achieve the same result, with a total of only ten buyout funds collectively raising CAD\$2.5B in new capital.
- Internationally, Canadian buyout and related PE funds participated in 28 non-Canadian deals in Q1 2017 collectively valued at CAD\$26B. While this total was up 16% from the same period last year, it still fell 15% short of the investment levels seen in Q1 2015. Deal volumes in Q1 2017 were also up by 15% when compared to both Q1 2016 and quarter-over-quarter.
- Non-Canadian lead investors led 35% of Canadian target deals in Q1 2017, up 11% from 2016.

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



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