

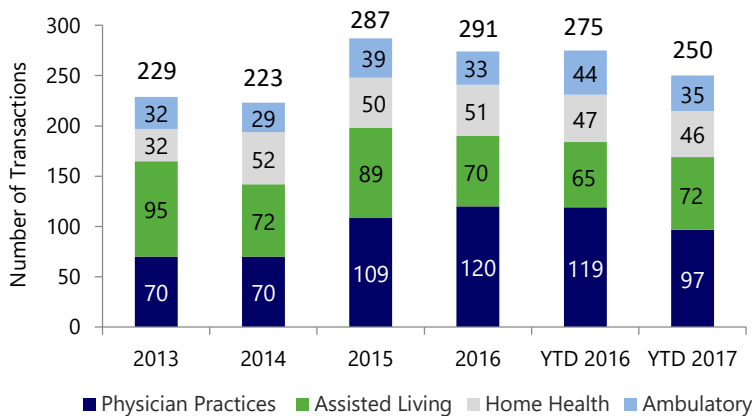


KEY M&A TAKEAWAYS

- ▶ The Healthcare industry continues to be highly active and is slated for continued to growth. According to the Bureau of Labor Statistics, employment in the Healthcare and Social Assistance sector is projected to create nearly one-third (4.0 million) of all new jobs by 2026.
- ▶ Potential federal spending cuts could negatively impact the Healthcare Services industry in 2018. According to *IBISWorld*, Medicare and Medicaid programs fund nearly 90.0% of Home Health & Hospice revenue.
- ▶ One major growth driver is the aging Baby Boomer population, which is projected to make up 24.0% of the population by 2060, according to the US Census Bureau. The need for assisted living and home health care services will also accelerate and create opportunities for industry expansion.

TRANSACTION VOLUME

- ▶ Deal activity in the Healthcare Services industry remains robust with 250 deals announced or closed year-to-date in 2017.



YTD ended December 11

Source: Capital IQ and Capstone Headwaters Research

AVERAGE HOME HEALTH PUBLIC EBIDTA MULTIPLE

- ▶ The average public company EBIDTA multiple for the Home Health & Hospice Care segment is at a premium, and has increased from 11.8x to 12.9x.



Source: Capital IQ and Capstone Headwaters Research
 Index includes: NasdaqGS:ADUS, NasdaqGS:AFAM, NasdaqGS:AMED, NYSE:BKD, NYSE:CHE, NasdaqGS:ENSG, TSX:EXE, NYSE:HLS, NYSE:KND, NasdaqGS:LHCG

NOTABLE TRANSACTIONS

- ▶ **LHC Group to merge with Almost Family (November 2017)** – Leading home healthcare services providers, LHC Group and Almost Family, have agreed to a definitive merger agreement in what is reported to be a \$2.4 billion transaction. The deal is expected to generate \$25.0 million in cost synergies and to diversify lines of services. “The complementary nature of our two firms provides incredible fit, adding clinical, operational and financial strength, and depth without any meaningful conflicts or overlaps in management, geography, and service capabilities,” Almost Family Chairman & CEO William B. Yarmuth commented in a press release. “I believe the combined company will have the management team with the broadest and deepest experience of all the national in-home healthcare providers.”
- ▶ **Cornerstone Healthcare acquires Excell Home Care & Hospice (November 2017)** – Cornerstone Healthcare has acquired the joint operations of Excell Home Care & Hospice and Excell Private Care Services. Terms of the deal were not disclosed. The acquisition expands Cornerstone’s geographic footprint to Oklahoma and brings its number of facilities to a total of 46 across eleven states. Cornerstone Healthcare President Daniel Walker confirmed in a statement that the company will continue to actively seek growth opportunities through acquisitions.

MOST ACTIVE BUYERS

Target Segment	Buyer Name	Deals in this Industry for 2017	All Deals in Past 5 years
Physician Practices	ADCS Clinics	5	44
Assisted Living	Colonial Oaks Senior Living	7	7
Home Health	Cornerstone Healthcare	4	16
Physician Practices	CRH Medical	6	16
Physician Practices	Epiphany Dermatology	7	7
Physician Practices	GPB Capital	4	10
Physician Practices	MEDNAX	10	60
Assisted Living	Sagora Senior Living	5	7
Assisted Living	The Ensign Group	7	61