

Shields & Company

INVESTMENT BANKERS

Healthcare & Human Services Sector Update

Q3 2020



Healthcare Sector Update – Q3 2020

M&A Summary & Outlook

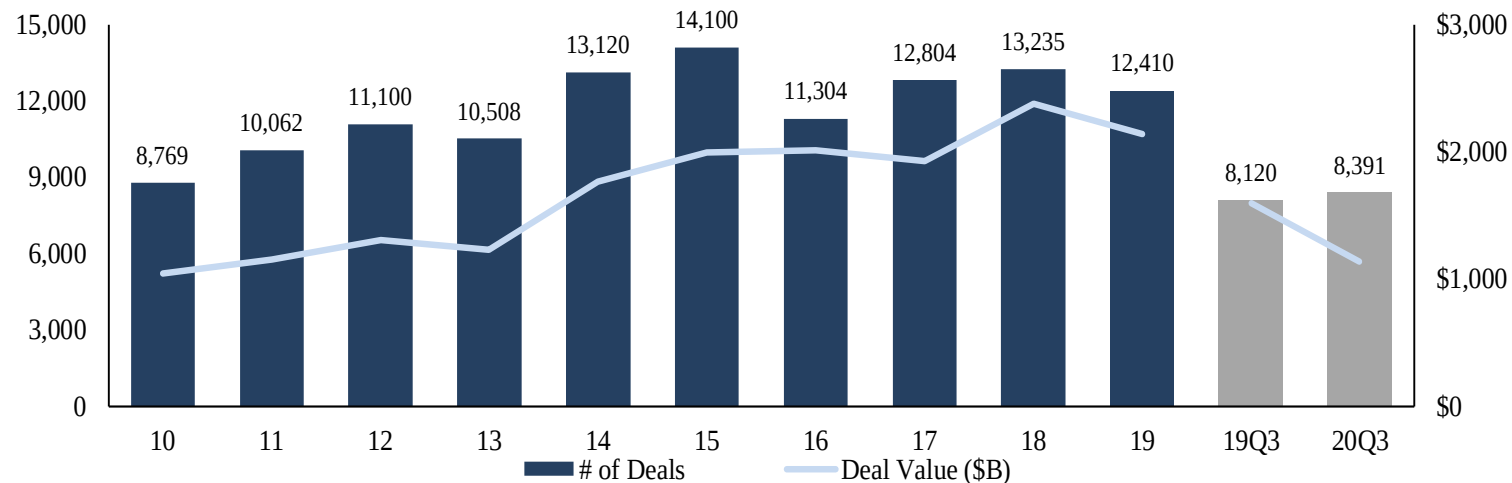
- Q3 2020 saw North American M&A volume of 2,714 transactions and total deal value of \$361.1 billion.
- Within the Healthcare sector, there were 156 transactions in Q3 2020, compared to 161 transactions in Q3 2019, representing a 3% decrease from last year. The sector is on pace for 559 total transactions in 2020 compared to last year's total of 653—a 14% decline largely attributed to effects of COVID-19.

Public Company Performance

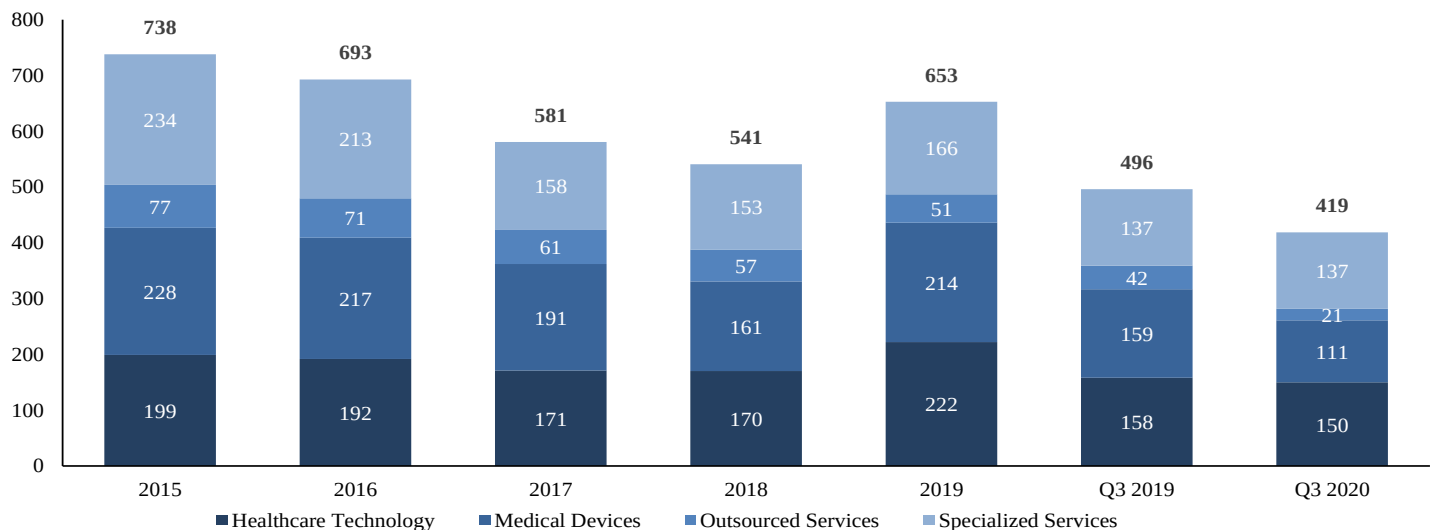
- Public company EV/EBITDA multiples rebounded to 2019 levels with an average Healthcare multiple of 12.0x in Q3 2020 compared to an average multiple of 11.0x in Q2 2020. The average EV/EBITDA multiple in Q3 2019 was 12.0x.
- After Q3 2020, Medical Devices and Specialized Services are the only two out of six Healthcare sub-sectors that have outperformed the S&P 500 over the past five years.

North American M&A Overview

(\$ in billions)



M&A Deal Volume: Healthcare Sector



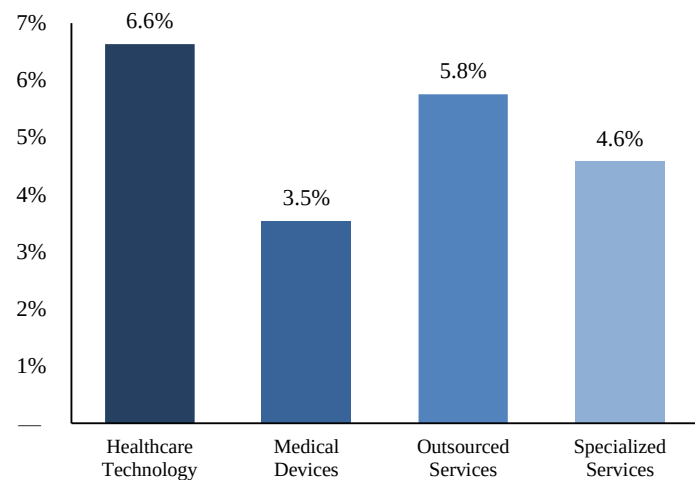
Select Recent M&A Transactions

(\$ in millions)

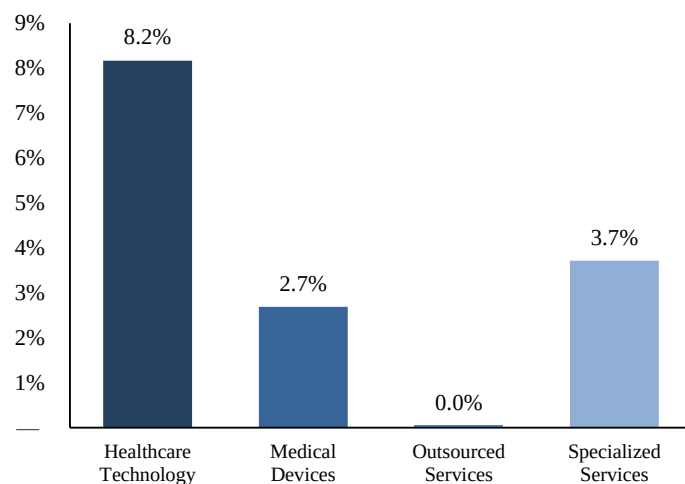
Date	Target	Description	Buyer	Transaction Value
9/30/2020	Avenu Medical, Inc.	Avenu Medical, Inc. develops and manufactures image-guided catheter system for hemodialysis access.	Medtronic plc	NA
9/29/2020	Holo Surgical, Inc.	Holo Surgical Inc. develops augmented reality and artificial intelligence support surgical navigation system.	Surgalign Holdings, Inc.	\$126
9/29/2020	Extremity Othropedics	Extremity Orthopedics comprises shoulder replacement systems, and upper and lower extremities portfolio.	Smith & Nephew plc	\$240
9/29/2020	Simplura Health Group	Simplura Health Group, doing business as All Metro Health Care, provides home health care services to patients.	Socrates, LLC	\$575
9/14/2020	Scriptcycle, LLC	Scriptcycle develops software that provides prescription management service to patients, pharmacies, and communities.	GoodRx Holdings, Inc.	\$60
9/10/2020	Redwood Radiology, LLC	Redwood Radiology, LLC engages in providing radiology services.	Radiology Partners, Inc.	\$885
9/2/2020	Ascyrus Medical, LLC	Ascyrus Medical develops and manufactures implantable medical devices for the treatment of aortic dissections.	CryoLife, Inc.	\$200
9/1/2020	TigerSchedule	TigerSchedule designs and develops an online software to create, maintain, and communicate physician work and schedules.	TigerConnect, Inc.	NA
8/25/2020	The Chattanooga-Hamilton County Hospital Authority	The Chattanooga-Hamilton County Hospital Authority provides tertiary care services in the Southeast.	StoneBridge Healthcare, LLC	\$475
8/25/2020	Acessa Health, Inc.	Acessa Health Inc. manufactures radiofrequency ablation system Acessa System, for the treatment of symptomatic uterine fibroids.	Hologic, Inc.	\$80
8/18/2020	Nucleus.io	Nucleus.io provides cloud-based enterprise imaging solutions.	Change Healthcare Inc.	NA
8/11/2020	Vitalware, LLC	Vitalware, LLC provides revenue cycle SaaS solutions to healthcare organizations.	Health Catalyst, Inc.	\$152
8/7/2020	C&E GP Specialists, Inc.	C&E GP Specialists, Inc. manufactures and distributes orthokeratology contact lens.	CooperVision, Inc.	\$27
8/5/2020	Livongo Health, Inc.	Livongo Health, Inc. provides an integrated suite of solutions for the healthcare industry in North America.	Teladoc Health, Inc.	\$19,094
8/2/2020	Varian Medical Systems, Inc.	Varian Medical Systems, Inc. designs, manufactures, sells, and services medical devices and software products.	Siemens Healthineers AG	\$17,160
7/29/2020	SOC Telemed	SOC Telemed provides telemedicine solutions for hospitals in the United States.	Healthcare Merger Corp.	\$721
7/27/2020	Caregiver, Inc.	Caregiver, Inc. provides long-term care and support services to individuals with intellectual and developmental disabilities.	WindRose Health Investors, LLC	\$200
7/17/2020	Healthcare Safety Holdings LLC	Healthcare Safety Holdings, LLC manufactures daily use insulin pen needles, syringes, and related product offerings for diabetes.	UM Strategic Capital EquityCo, LLC	\$17
7/9/2020	healthfinch, Inc.	healthfinch, Inc. develops specialized technology to streamline prescription renewal requests for various health systems.	Health Catalyst, Inc.	\$42
7/2/2020	Product Portfolio of Electrical Geodesics, Inc.	Comprises hardware that monitors brain activity and delivers transcranial electrical stimulation in brain research.	Magstim Group, Inc.	NA
7/1/2020	Highland Hospital	Highland Hospital operates a psychiatric facility in West Virginia.	Summit Behavioral Healthcare, LLC	NA

Public Company Trading Statistics

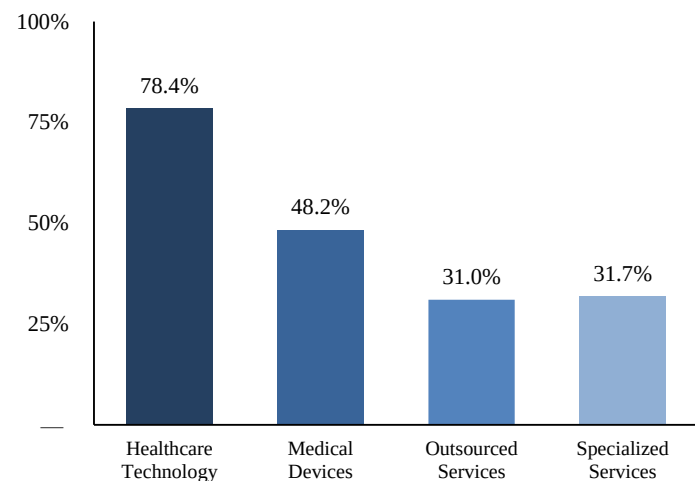
3-Year Revenue CAGR



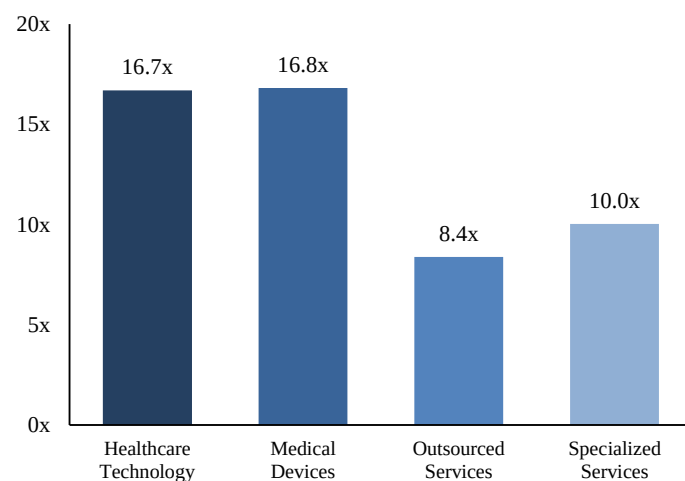
3-Year EBITDA CAGR



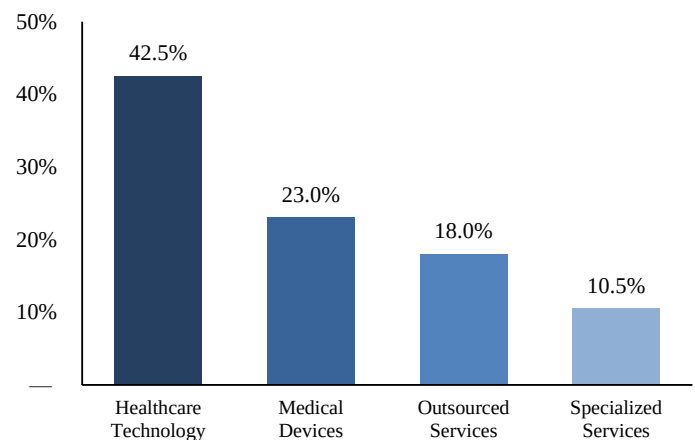
Gross Margin



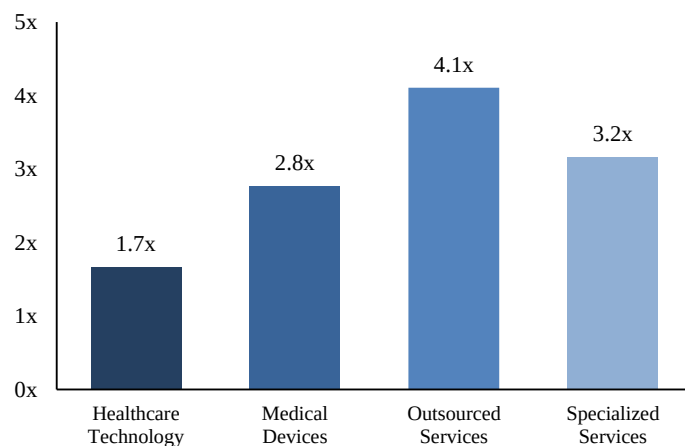
TEV/EBITDA



EBITDA Margin



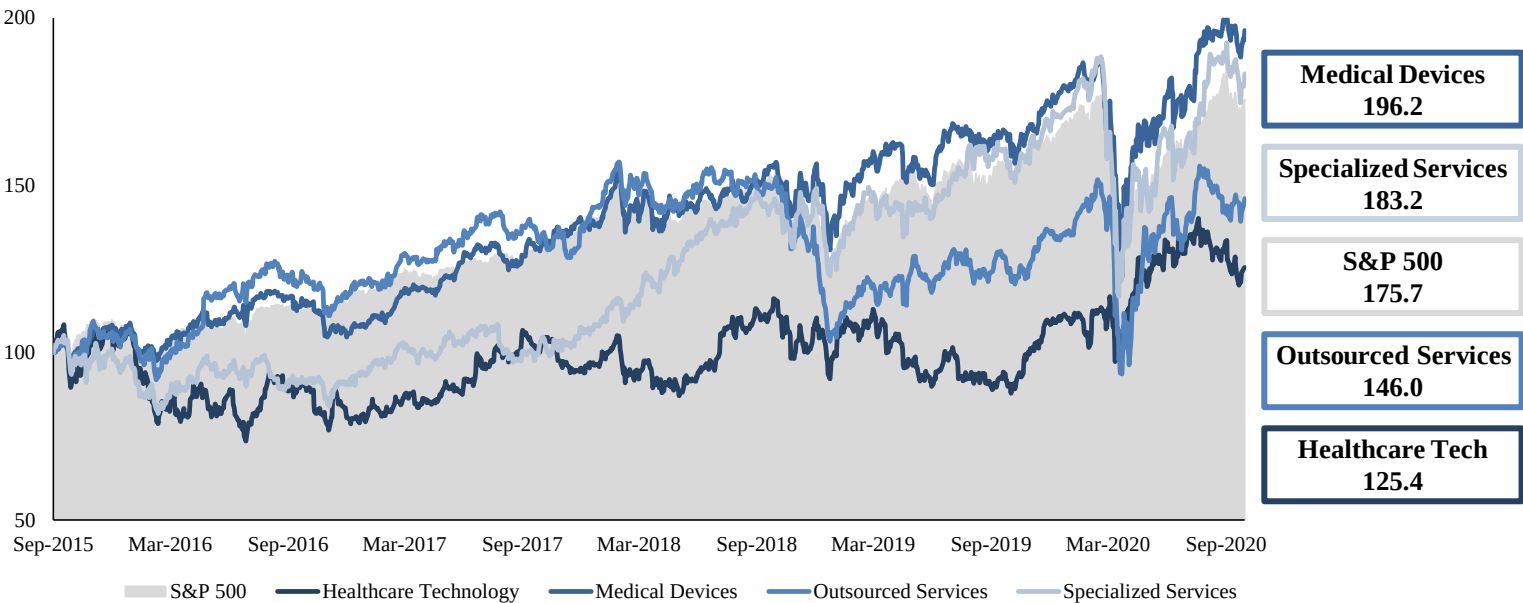
Total Debt/EBITDA



Public Company Trading History

5-Year Stock Return

(Indexed to 100)



5-Year Historical EBITDA Multiple



Public Comparable Companies

(\$ in millions)	Latest Twelve Months				TEV / LTM		TEV / EBITDA	
	TEV	Revenue	Gross Profit	EBITDA	Revenue	EBITDA	2020P	2021P
Healthcare Technology								
Agilent Technologies, Inc.	\$32,271	\$5,223	\$2,786	\$1,381	6.2x	23.4x	22.0x	19.8x
Alexion Pharmaceuticals, Inc.	\$25,047	\$5,536	\$5,071	\$2,911	4.5x	8.6x	7.4x	6.7x
Amgen Inc.	\$171,663	\$23,146	\$19,011	\$12,115	7.4x	14.2x	11.9x	11.5x
Biogen Inc.	\$47,479	\$11,520	\$12,745	\$8,112	4.1x	5.9x	6.1x	7.0x
Gilead Sciences, Inc.	\$84,075	\$22,174	\$17,423	\$5,564	3.8x	15.1x	6.6x	6.8x
Illumina, Inc.	\$43,860	\$3,351	\$2,386	\$1,248	13.1x	35.1x	44.6x	30.7x
Regeneron Pharmaceuticals, Inc.	\$55,390	\$8,047	\$4,765	\$3,028	6.9x	18.3x	13.7x	11.7x
Vertex Pharmaceuticals Incorporated	\$65,950	\$5,403	\$2,833	\$2,210	12.2x	29.8x	18.8x	16.1x
Healthcare Technology Median					5.4x	16.7x	9.7x	9.3x
Medical Devices								
<i>Dental Products</i>								
3M Company	\$109,476	\$31,353	\$15,127	\$8,881	3.5x	12.3x	12.4x	11.9x
DENTSPLY SIRONA Inc.	\$10,732	\$3,439	\$1,794	\$702	3.1x	15.3x	19.1x	12.3x
Dental Products Median					3.3x	13.8x	15.7x	12.1x
<i>Durable Medical Equipment</i>								
Hill-Rom Holdings, Inc.	\$7,393	\$2,959	\$1,513	\$667	2.5x	11.1x	11.5x	11.2x
Invacare Corporation	\$455	\$883	\$255	\$37	0.5x	12.5x	NM	NM
ResMed Inc.	\$25,676	\$2,957	\$1,767	\$924	8.7x	27.8x	25.3x	24.2x
STERIS plc	\$15,948	\$3,003	\$1,302	\$784	5.3x	20.3x	20.0x	18.8x
Durable Medical Equipment Median					3.9x	16.4x	20.0x	18.8x
<i>Medical Devices & Products</i>								
Abbott Laboratories	\$207,549	\$31,444	\$18,147	\$7,566	6.6x	27.4x	24.9x	19.8x
Baxter International Inc.	\$43,737	\$11,410	\$4,860	\$2,965	3.8x	14.8x	15.3x	13.5x
Boston Scientific Corporation	\$62,737	\$10,157	\$6,958	\$2,317	6.2x	27.1x	24.7x	17.3x
Conformis, Inc.	\$77	\$73	\$36	(\$17)	1.1x	NM	NM	NM
Danaher Corporation	\$173,778	\$18,887	\$10,440	\$4,887	9.2x	35.6x	29.0x	24.7x
Hanger, Inc.	\$1,159	\$1,048	\$355	\$161	1.1x	7.2x	8.3x	6.4x
Hologic, Inc.	\$19,911	\$3,295	\$2,050	\$1,085	6.0x	18.3x	14.2x	12.4x
Intuitive Surgical, Inc.	\$78,572	\$4,358	\$2,923	\$1,366	18.0x	57.5x	52.6x	38.5x
Johnson & Johnson	\$403,234	\$80,503	\$52,937	\$27,210	5.0x	14.8x	14.7x	12.9x
Medtronic plc	\$155,487	\$27,927	\$18,517	\$6,874	5.6x	22.6x	24.7x	14.7x
Stryker Corporation	\$84,979	\$14,070	\$9,013	\$3,831	6.0x	22.2x	24.2x	17.8x
Teleflex Incorporated	\$17,764	\$2,527	\$1,429	\$713	7.0x	24.9x	24.7x	19.5x
Thermo Fisher Scientific Inc.	\$190,189	\$26,248	\$11,924	\$6,961	7.2x	27.3x	23.3x	21.5x
Varian Medical Systems, Inc.	\$15,641	\$3,197	\$1,387	\$586	4.9x	26.7x	26.1x	19.4x
Medical Devices & Products Median					6.0x	24.9x	24.7x	17.8x

Public Comparable Companies

	Latest Twelve Months				TEV / LTM		TEV / EBITDA	
	TEV	Revenue	Gross Profit	EBITDA	Revenue	EBITDA	2020P	2021P
(\$ in millions)								
<i>Medical/Surgical/Dental Distributors</i>								
AmerisourceBergen Corporation	\$21,138	\$186,287	\$5,024	\$2,395	0.1x	8.8x	7.9x	7.5x
Cardinal Health, Inc.	\$18,243	\$152,922	\$6,868	\$2,843	0.1x	6.4x	6.6x	5.9x
Henry Schein, Inc.	\$10,359	\$9,291	\$2,772	\$860	1.1x	12.0x	13.1x	10.6x
McKesson Corporation	\$32,622	\$231,002	\$11,936	\$3,217	0.1x	10.1x	7.1x	6.5x
Owens & Minor, Inc.	\$3,050	\$8,414	\$1,103	\$265	0.4x	11.5x	8.7x	8.0x
Patterson Companies, Inc.	\$2,998	\$5,407	\$1,161	\$345	0.6x	8.7x	9.6x	9.2x
Varian Medical Systems, Inc.	\$15,641	\$3,197	\$1,387	\$586	4.9x	26.7x	26.1x	19.4x
Medical/Surgical/Dental Distributors Median					0.4x	10.1x	8.7x	8.0x
<i>Medical Devices Median</i>					4.9x	16.8x	19.1x	13.5x
Outsourced Services								
<i>Clinical Labs</i>								
Laboratory Corporation of America Holdings	\$24,912	\$11,475	\$3,127	\$2,492	2.2x	10.0x	8.1x	7.8x
Quest Diagnostics Incorporated	\$19,652	\$7,531	\$2,574	\$1,845	2.6x	10.7x	8.4x	8.4x
Clinical Labs Median					2.4x	10.3x	8.3x	8.1x
<i>Diagnostic Centers</i>								
RadNet, Inc.	\$1,963	\$957	\$227	\$234	2.1x	8.4x	8.8x	7.0x
Diagnostic Centers Median					2.1x	8.4x	8.8x	7.0x
<i>Dialysis Centers</i>								
American Renal Associates Holdings, Inc.	\$1,109	\$816	\$249	\$157	1.4x	7.1x	8.4x	8.4x
DaVita Inc.	\$20,289	\$11,015	\$3,572	\$3,136	1.8x	6.5x	6.8x	6.7x
Fresenius Medical Care AG & Co. KGaA	\$39,778	\$18,044	\$5,646	\$4,507	2.2x	8.8x	7.5x	7.1x
Dialysis Centers Median					1.8x	7.1x	7.5x	7.1x
<i>Disease Management</i>								
Tivity Health, Inc.	\$1,715	\$1,177	\$517	\$236	1.5x	7.3x	8.1x	7.8x
Disease Management Median					1.5x	7.3x	8.1x	7.8x
<i>Outsourced Services Median</i>					2.1x	8.4x	8.1x	7.8x

Public Comparable Companies

	Latest Twelve Months				TEV / LTM		TEV / EBITDA	
	TEV	Revenue	Gross Profit	EBITDA	Revenue	EBITDA	2020P	2021P
(\$ in millions)								
Specialized Services								
<i>Acute Care Hospitals</i>								
Community Health Systems, Inc.	\$13,277	\$12,075	\$4,498	\$1,335	1.1x	9.9x	6.8x	7.2x
HCA Healthcare, Inc.	\$72,294	\$50,146	\$18,429	\$9,930	1.4x	7.3x	6.8x	6.5x
Tenet Healthcare Corporation	\$17,408	\$17,542	\$6,130	\$2,533	1.0x	6.9x	6.4x	6.3x
Universal Health Services, Inc.	\$12,498	\$11,278	\$4,458	\$1,834	1.1x	6.8x	7.0x	6.5x
Acute Care Hospitals Median					1.1x	7.1x	6.8x	6.5x
<i>Assisted Living/Long-Term Care</i>								
Brookdale Senior Living Inc.	\$5,777	\$3,254	\$864	\$689	1.8x	8.4x	11.0x	NA
Capital Senior Living Corporation	\$933	\$421	\$125	\$93	2.2x	10.0x	NA	NA
Five Star Senior Living Inc.	\$103	\$656	\$322	\$80	0.2x	1.3x	1.2x	1.3x
National HealthCare Corporation	\$905	\$946	\$393	\$136	1.0x	6.7x	NA	NA
The Ensign Group, Inc.	\$3,970	\$2,247	\$359	\$364	1.8x	10.9x	9.5x	8.9x
Assisted Living/Long-Term Care Median					1.8x	8.4x	9.5x	5.1x
<i>Behavioral Health</i>								
Acadia Healthcare Company, Inc.	\$6,125	\$3,091	\$1,241	\$616	2.0x	10.0x	9.4x	8.6x
Magellan Health, Inc.	\$2,517	\$7,109	\$244	\$212	0.4x	11.9x	14.9x	10.4x
The Providence Service Corporation	\$1,290	\$1,428	\$184	\$88	0.9x	14.7x	8.9x	11.1x
Behavioral Health Median					0.9x	11.9x	9.4x	10.4x
<i>Home Care/Hospice</i>								
Addus HomeCare Corporation	\$1,401	\$736	\$213	\$69	1.9x	20.4x	17.0x	15.0x
Amedisys, Inc.	\$8,065	\$1,972	\$826	\$241	4.1x	33.4x	27.8x	23.3x
Chemed Corporation	\$7,767	\$2,021	\$641	\$423	3.8x	18.4x	16.8x	15.7x
LHC Group, Inc.	\$6,779	\$2,060	\$754	\$206	3.3x	32.9x	25.2x	21.6x
Home Care/Hospice Median					3.6x	26.7x	21.1x	18.6x
<i>Surgicenters/Rehabilitation</i>								
Select Medical Holdings Corporation	\$7,442	\$5,415	\$774	\$975	1.4x	7.6x	7.4x	7.0x
Surgery Partners, Inc.	\$5,275	\$1,785	\$358	\$368	3.0x	14.4x	15.4x	13.0x
U.S. Physical Therapy, Inc.	\$1,352	\$381	\$93	\$98	3.5x	13.8x	15.5x	13.0x
Surgicenters/Rehabilitation Median					3.0x	13.8x	15.4x	13.0x
Specialized Services Median					1.8x	10.0x	9.5x	9.7x
TOTAL INDUSTRY MEDIAN					2.2x	12.0x	12.4x	11.1x

Source: Capital IQ.
Market Inputs as of September 30, 2020.
NA - Not Available.
NM - Not Meaningful.

Shields & Company

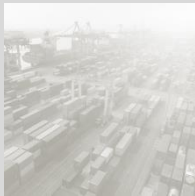
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Our partners have Wall Street experience and sit on the Boards of Directors of various public and private companies, and are therefore sensitive to the fiduciary and governance responsibilities confronting leaders in the current era of increased corporate responsibility.

SERVICES

Mergers & Acquisitions	Debt Raising	Corporate Advisory	Valuations
Due Diligence Processes	Bank Debt	Acquisitions	409A & ASC 718
Selective Buy-Side Advisory	Mezzanine Debt	Corporate Divestitures	Fairness Opinions
Sell-Side Advisory		Corporate Governance	Goodwill Impairment
		Joint Ventures	Purchase Allocation
			Securities Valuation

INDUSTRIES

Business Services	Consumer, Food, & Beverage	Healthcare & Human Services	Industrial Products & Services	Niche Manufacturing	Specialty Distribution
					

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