

VALUE FOCUS

# Healthcare Facilities



## Year-End 2016

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## Overview

Broadly, healthcare was one of the weakest performing sectors in 2016. The Health Care Select Sector SPDR Fund ETF (XLV) declined over 5% during the year, while the S&P 500 appreciated 8.5% in 2016.<sup>1</sup>

While the worst performers included pharmaceuticals and biotechnology, healthcare facilities also recorded weak stock movements over the year. Stock price changes for healthcare facility sectors tracked by Mercer Capital ranged from a decline of 4.7% to a gain of 6.3%, all below the S&P 500. Healthcare facility segments include acute care hospitals, ambulatory surgical centers, nursing homes and assisted living facilities, and healthcare-focused REITS.

Potential political headwinds attributable to broad-based calls to rein in drug prices and healthcare costs have weighed

on healthcare facilities. Hospitals, early beneficiaries of the Affordable Care Act, face a challenging environment if the new administration makes good on its promises to roll back parts of the legislation. Healthcare facilities continue to adapt to new payment models seeking to emphasize results rather than (the number of) procedures. Other factors that pose risks to the sector include a decreasing supply of doctors and healthcare professionals and cuts to Federal Medicare and Medicaid outlays.

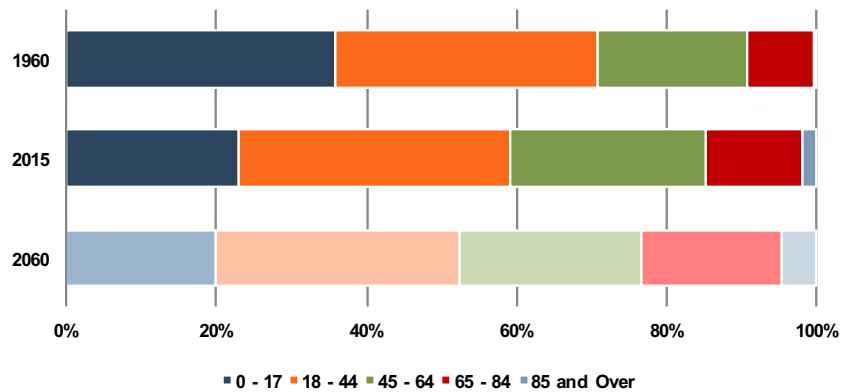
Despite weakness in 2016, long-term health care facility fundamentals remain promising. A growing aging population in the U.S. should continue to drive demand, and current valuation trends and expectations are positive for healthcare facilities.

## Macroeconomic Trends

### Demographic Trends I

The aging population, driven by declining fertility rates and increasing life expectancy, represents a major demand driver for healthcare services. The U.S. elderly population (persons 65 and above) totaled 48 million in 2015 (15% of the population). The U.S. Census Bureau estimates that the elderly will roughly double by 2060 to 98 million, representing 24% of the total U.S. population.

### U.S. Population Distribution by Age Group

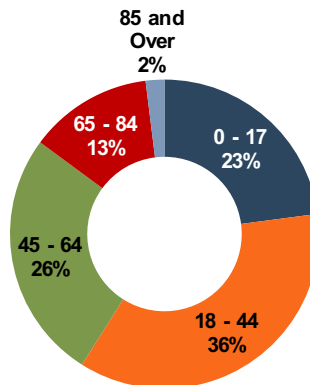


Source: US Census Bureau, 2015

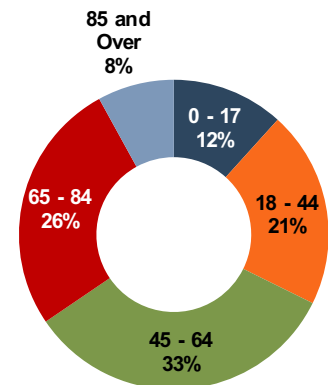
### Demographic Trends II

The elderly account for nearly one third of total healthcare consumption. Personal healthcare spending for the elderly was \$19,000 per person in 2012, five times the spending per child (\$3,600) and almost triple the spending per working-age person (\$6,600).<sup>2</sup>

### U.S. Population Distribution by Age



### U.S. Healthcare Cost Distribution by Age



Source: US Census Bureau, Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, 2012

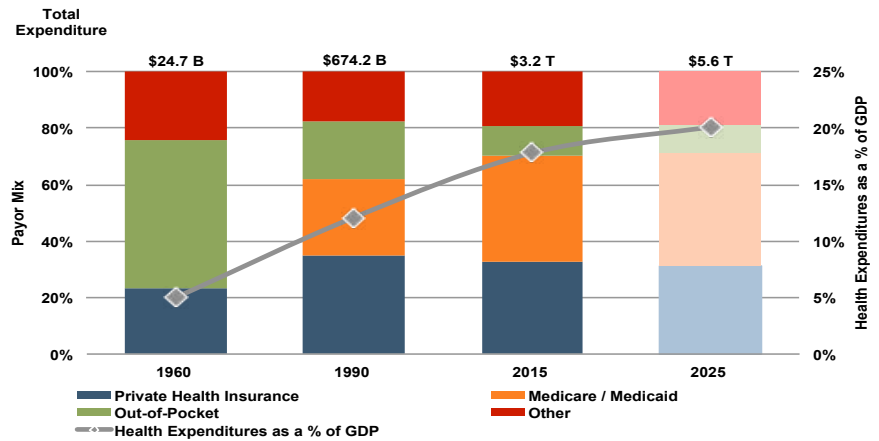
## Macroeconomic Trends (continued)

### U.S. Healthcare Expenditure I

Demographic shifts underlie the expected growth in total U.S. healthcare expenditure from \$3.2 trillion in 2015 to \$5.6 trillion in 2025. Healthcare spending as a percentage of GDP is also expected to expand from 17% in 2015 to 20% by 2025.

Since inception, Medicare has accounted for an increasing proportion of total U.S. healthcare expenditures. Medicare currently provides healthcare benefits for an estimated 57 million elderly and disabled Americans, constituting approximately 15% of the federal budget in 2015. Medicare

### U.S. Healthcare Consumption Payor Mix and as % of GDP

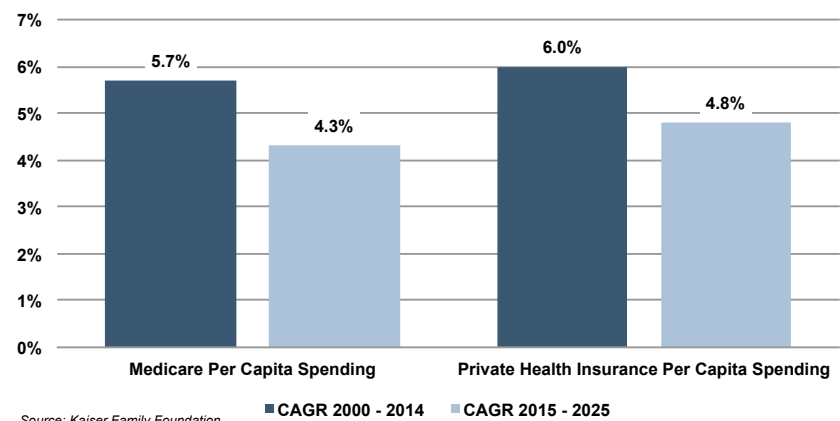


represents the largest portion of total healthcare costs, constituting 20% of total health spending in 2014. Medicare also accounts for 26% of hospital spending, 29% of retail prescription drugs sales, and 23% of physician services.<sup>3</sup>

### U.S. Healthcare Expenditure II

The Affordable Care Act incorporated changes that are expected to constrain annual growth in Medicare spending over the next several decades by curtailing increases in Medicare payments to healthcare providers, and establishing several new policies and programs designed to reduce costs. On a per person basis, Medicare spending is projected to grow at 4.3% annually from 2015 and 2025, compared to the actual average annualized growth rate of 5.7% between 2000 and 2014.<sup>4</sup>

### Average Spending Growth Rates, Medicare and Private Health Insurance

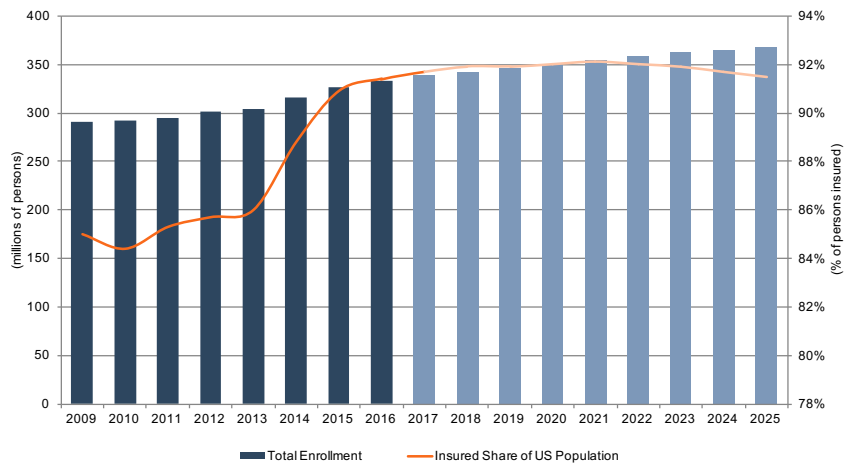


## Macroeconomic Trends (continued)

### Health Insurance Coverage

The Affordable Care Act was passed, in part, to address the number of Americans without health insurance. People covered by insurance are more likely to use healthcare services. According to current projections, the Center for Medicare and Medicaid Services (CMS) estimates the percentage of Americans enrolled in a health insurance plan will grow from 85% in 2009 to 92% by 2020 year-end.<sup>5</sup>

### Health Insurance Enrollment Totals

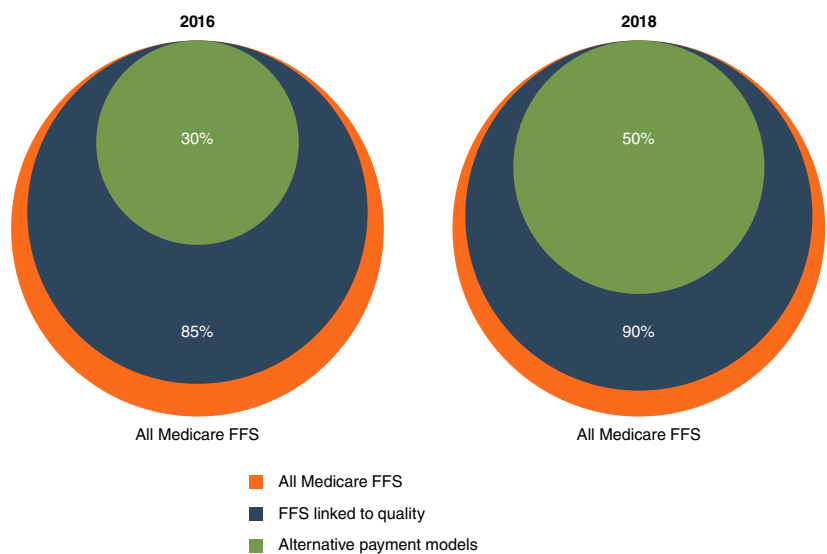


Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group  
Mercer Capital Analysis

### Fee-For-Service vs. Value-Based Care

The transition of the healthcare delivery paradigm from fee-for-service (FFS) to value models is expected to lead to fewer hospital admissions and procedures, given the focus on cost-cutting and efficiency. In 2015, the Department of Health and Human Services (HHS) announced goals to have 85% and 90% of all Medicare payments tied to quality or value by 2016 and 2018, respectively, and 30% and 50% of total Medicare payments tied to alternative payment models by the end of 2016 and 2018, respectively. In March 2016, the HHS estimated 30% of Medicare payments were tied to alternative, value-based models, nearly one year ahead of schedule.<sup>6,7</sup>

### Fee-For-Service vs. Value-Based Care

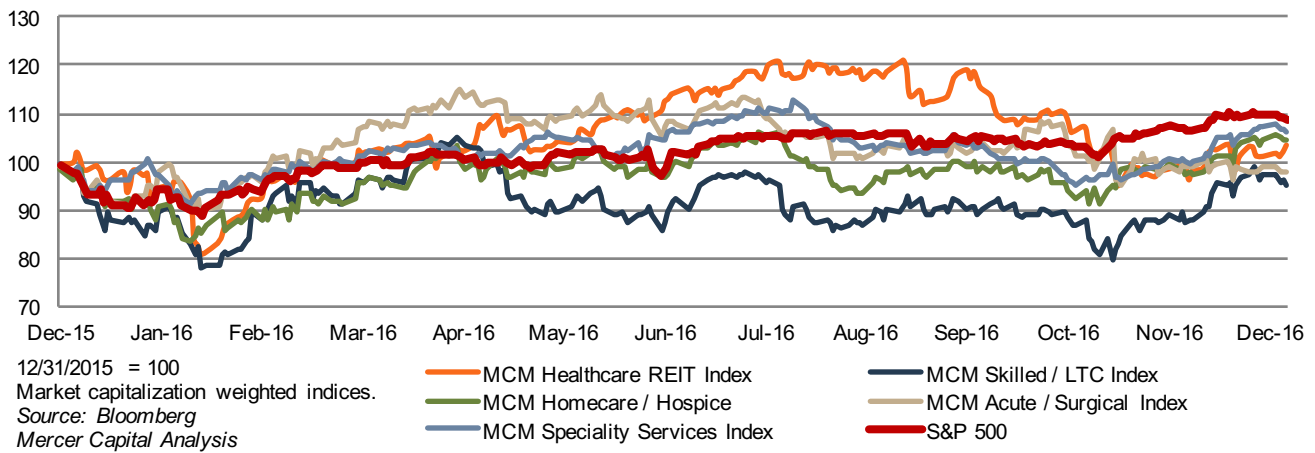


Source: CMS

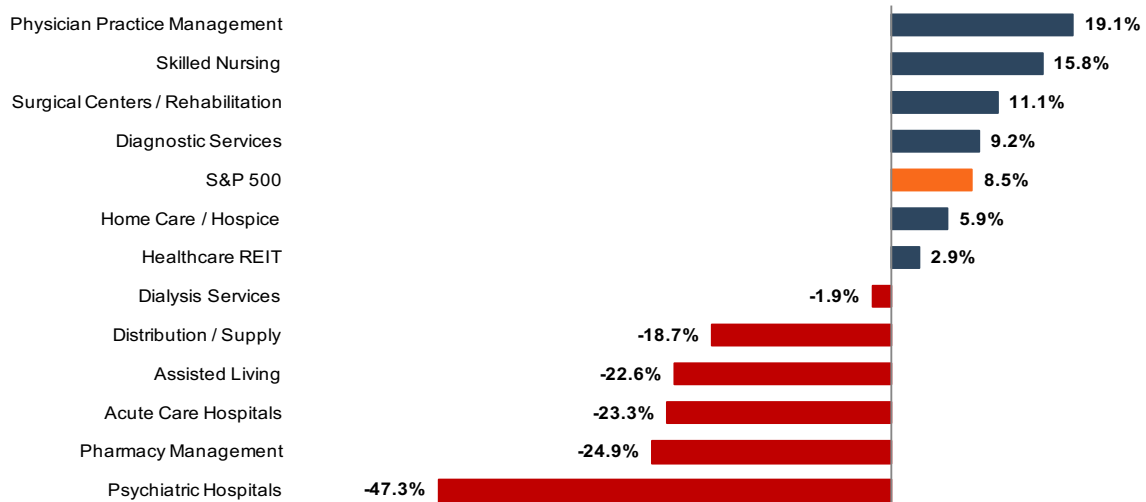
## Valuation Trends

The majority of healthcare facilities subsectors underperformed the S&P 500 in 2016. Long-term care/assisted living and acute-care provider stocks declined 4.7% and 2.4%, respectively, on an annual basis. The homecare/hospice subsector grew 4.5% in 2016, compared to an increase of 8.5% for the S&P 500. Healthcare-focused REITs appreciated 3.4%, and specialty services registered price appreciation of 6.3% over 2016. The subsectors that outperformed the S&P 500 in 2016 included physician practice management (price appreciation of 19.1%), skilled nursing (15.8%), surgical care (11.1%), and diagnostic service providers (9.2%).

### Mercer Capital Healthcare Facility Select Indices: One Year Performance



### Median Stock Price % Change, 1 Year

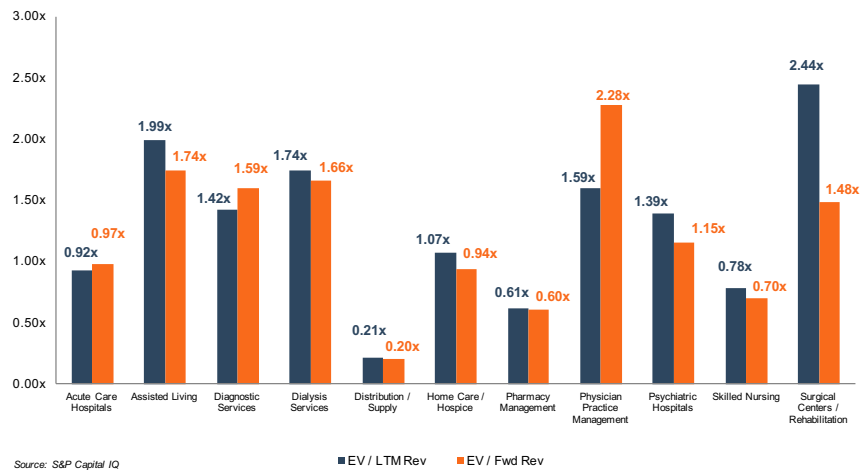


Source: S&P Capital IQ  
Mercer Capital Analysis

## Valuation Trends (continued)

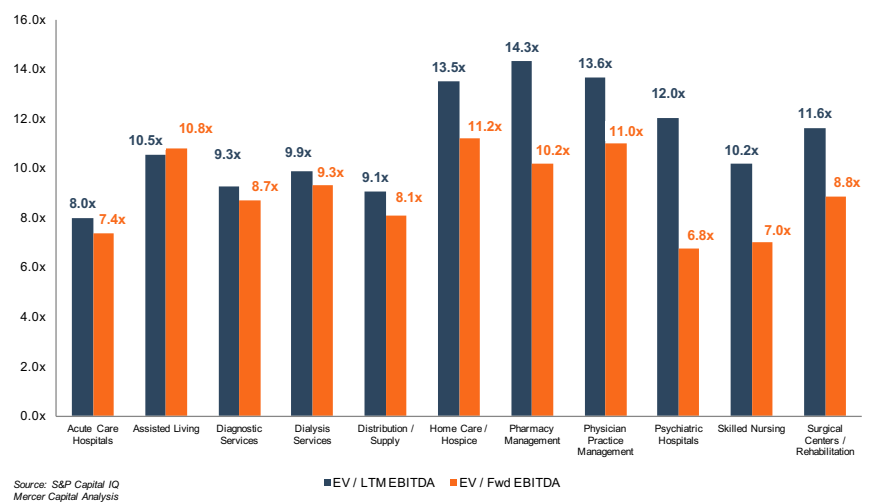
### Revenue Multiples

Excluding healthcare REITs, sub-sectors with the highest LTM revenue multiples at year-end 2016 were surgical and rehabilitation, assisted living, and dialysis services. Forward multiples imply varying degrees of estimated growth in revenues for sub-sectors over the next twelve months.



### EBITDA Multiples

Excluding REITs, the sub-sectors with the highest EBITDA multiples at year-end 2016 were pharmacy management and physician practice management. Forward EBITDA is expected to grow across most sectors over the next twelve months.



## Mergers & Acquisitions

### Trends

Hospitals and healthcare facilities are adapting to changes sweeping through the industry, as new policies and market forces are driving consolidation. Transaction activity remains high as providers combine and consolidate to remain competitive and achieve greater economies of scale. Major factors currently driving transactions include: <sup>8,9</sup>

- **Reduced reimbursement rates.** Reimbursement issues are causing heavy financial stress on healthcare facilities, as payment models move from fee-for-service towards value-based and bundle payments. Stagnant reimbursement from Medicare, Medicaid, and other commercial payors are also hurting industry revenue, driving an uptick in consolidating M&A activity.
- **Volume challenges.** Patients have been gravitating towards lower cost outpatient facilities, lowering the number of patients in inpatient facilities. Higher deductibles and growing copays have resulted in larger out-of-pocket expenses for consumers, leading patients to delay certain medical treatments. This has led to greater uncertainty in patient volume in a number of healthcare facility sectors.
- **Integrated healthcare services.** In order to maintain margins and profitability, healthcare facilities are looking to expand their footprint into a number of sectors. Larger healthcare facilities are absorbing smaller groups in divergent sectors in order to provide a continuum of care to patients, diversify their services, and control costs.
- **Scale advantages.** Larger and more integrated healthcare facilities have greater leverage and bargaining power when dealing with third-party payors, which has prompted smaller facilities to consolidate with bigger healthcare groups. Considerable capital expenditures will be needed to upgrade older facilities due to increasing healthcare demand, and large medical facility groups are better equipped to take on improvement projects due to their advantageous capital positions.



## Transactions Summary

Buyer / Acquirer	Target / Seller	Announce Date	Close Date	Implied Enterprise Value (\$ millions)	Implied Enterprise Value /	
					EBITDA	Revenue
Tennessee Parent, Inc.	Team Health Holdings, Inc.	10/30/16	2/6/17	\$6,029.8	15.0x	1.38x
Teva Pharmaceutical Industries Limited	Anda, Inc.	8/3/16	10/3/16	\$500.0	NA	NA
MultiCare Health System, Inc.	Spokane Washington Hospital Company, LLC	11/17/16	6/30/17	\$425.0	NA	NA
WellMed Medical Management Inc.	USMD Holdings, Inc.	8/29/16	9/30/16	\$305.8	NM	0.93x
CC Capital Management, LLC	Constellation Healthcare Technologies, Inc.	11/24/16	1/30/17	\$300.8	8.5x	2.98x
New Wave Holdings, Inc. (nka:PAO Group, Inc.)	PAO Group, Inc.	8/17/16	7/13/17	\$251.0	NA	NA
Baylor Scott & White Health LLC	Lakeway Regional Medical Center, LLC	7/6/16	9/1/16	\$203.6	NA	NA
Coloplast A/S	Comfort Medical, LLC	11/30/16	12/20/16	\$160.0	NA	NA
National Health Investors Inc.	Shoreline Life Care LLC	11/3/16	11/8/16	\$74.0	NA	NA
Sharecare Inc.	Healthways SC, LLC	7/27/16	8/2/16	\$30.0	NA	NA
Behavioral Property Partners LLC	Axis Residential Treatment, LLC	10/31/16	10/31/16	\$30.0	NA	NA
Medical Facilities Corporation	Physician's ASC Management, LLC	7/15/16	9/23/16	\$28.5	NA	NA
Global Medical REIT LP	Healthsouth Of Mechanicsburg, Inc.	11/29/16	12/20/16	\$24.2	NA	13.17x
Constellation Healthcare Technologies, Inc.	VEGA Medical Professionals LLC	9/23/16	9/23/16	\$24.0	30.0x	1.54x
Global Medical REIT LP	HealthSouth East Valley Rehabilitation Hospital, LLC	11/29/16	12/20/16	\$22.4	NA	13.07x
Global Medical REIT LP	HealthSouth Rehabilitation Hospital of Altoona, LLC	11/29/16	12/20/16	\$21.5	NA	13.17x
Pacifica Senior Living, LLC	S-H Thirty-five Propco - Wyndham Lakes LLC	10/19/16	10/19/16	\$21.5	NA	NA

Implied Enterprise Value in \$ millions

Source: Capital IQ, Mercer Capital Analysis

## Transactions Summary (continued)

Buyer / Acquirer	Target / Seller	Announce Date	Close Date	Implied Enterprise Value (\$ millions)	Implied Enterprise Value /	
					EBITDA	Revenue
Sioux Falls Specialty Hospital, L.L.P.	Prairie States Surgical Center, L.L.C.	9/28/16	NA	\$20.0	NA	2.49x
Griffin Skye Corporation	Associated National Brokerage Inc.	7/29/16	10/12/16	\$19.9	NA	NA
Carter Validus Mission Critical REIT II, Inc.	Lakeside Women's Hospital Inc.	6/30/16	6/30/16	\$19.8	NA	NA
The KPC Group	Gardens Regional Hospital And Medical Center Incorporated	7/19/16	NA	\$19.5	NA	NA
LeMaitre Vascular, Inc.	Restore Flow Allografts, LLC	11/10/16	11/10/16	\$18.0	NA	4.86x
Unknown buyer	Chestatee Regional Hospital Auxiliary, Inc.	8/19/16	8/19/16	\$15.0	NA	NA
Juniper Communities, LLC	Wood River Property, LLC	7/13/16	12/2/16	\$13.7	NA	NA
Clarkson Eyecare, Inc.	ESC Operations, LLC (nka:Eye Surgery Center, LLC)	8/2/16	NA	\$12.9	NA	NA
Allen Health Systems, Inc.	Central Iowa Healthcare	12/19/16	NA	\$12.5	NA	NA
OHI Asset Homestead LLC	LP Homestead, LLC	10/4/16	10/4/16	\$11.1	NA	NA
AlliancePharma Inc. (nka:KDA Group Inc.)	Pharmapar Inc.	6/29/16	8/23/16	\$11.1	NA	0.64x
Unknown buyer	Farmington Square Medford	10/31/16	10/31/16	\$10.8	NA	11.04x
Griffin-American Healthcare REIT IV, Inc.; Seniors Investments II, LLC	Hannie Development, Inc.	3/31/16	12/1/16	\$10.6	NA	NA
Central Louisiana Hospital Group	Progressive Acute Care, LLC	7/13/16	8/31/16	\$10.6	NA	NA
Griffin-American Healthcare REIT IV, Inc.	MPEQ Evendale MOB, LLC	10/28/16	12/13/16	\$10.4	NA	NA
Prime Healthcare Services, Inc.	Coshocton County Memorial Hospital	7/5/16	11/1/16	\$10.0	NA	NA

Implied Enterprise Value in \$ millions

Source: Capital IQ, Mercer Capital Analysis

## Public Company Pricing

### Acute Care Hospitals

Company Name	Ticker	Price			Δ Stock Price		EV Q4 2016	LTM		EV / Rev. Q4 2016	EV / EBITDA Q4 2016	EV / NTM Rev. Q4 2017	EV / NTM EBITDA Q4 2017
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual		Rev. Q4 2016	EBITDA Q4 2016				
Community Health Systems, Inc.	CYH	\$5.59	\$11.54	\$21.88	-51.6%	-74.5%	\$16,577	\$18,767	\$1,918	0.88x	8.6x	0.97x	7.9x
HCA Healthcare, Inc.	HCA	\$74.02	\$75.63	\$68.44	-2.1%	8.2%	\$60,132	\$41,098	\$8,091	1.46x	7.4x	1.40x	7.1x
LifePoint Health, Inc.	LPNT	\$56.80	\$59.23	\$74.10	-4.1%	-23.3%	\$5,104	\$6,130	\$716	0.83x	7.1x	0.77x	6.5x
Tenet Healthcare Corp.	THC	\$14.84	\$22.66	\$30.28	-34.5%	-51.0%	\$18,281	\$19,787	\$2,284	0.92x	8.0x	0.92x	7.4x
Universal Health Services, Inc.	UHS	\$106.20	\$122.92	\$119.43	-13.6%	-11.1%	\$13,970	\$9,606	\$1,701	1.45x	8.2x	1.36x	7.9x
<b>Median</b>					<b>-13.6%</b>	<b>-23.3%</b>				<b>0.92x</b>	<b>8.0x</b>	<b>0.97x</b>	<b>7.4x</b>

\$ in millions, except per share pricing  
Source: Capital IQ, Mercer Capital Analysis

### Assisted Living

Company Name	Ticker	Price			Δ Stock Price		EV Q4 2016	LTM		EV / Rev. Q4 2016	EV / EBITDA Q4 2016	EV / NTM Rev. Q4 2017	EV / NTM EBITDA Q4 2017
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual		Rev. Q4 2016	EBITDA Q4 2016				
Brookdale Senior Living Inc.	BKD	\$12.42	\$17.45	\$18.40	-28.8%	-32.5%	\$8,467	\$4,265	\$803	1.99x	10.5x	1.74x	10.8x
Capital Senior Living Corporation	CSU	\$16.05	\$16.80	\$20.74	-4.5%	-22.6%	\$1,358	\$438	\$79	3.10x	17.3x	2.88x	13.3x
Five Star Senior Living Inc.	FVE	\$2.70	\$1.91	\$3.21	41.4%	-15.9%	\$136	\$1,129	\$28	0.12x	4.9x	0.10x	6.0x
<b>Median</b>					<b>-4.5%</b>	<b>-22.6%</b>				<b>1.99x</b>	<b>10.5x</b>	<b>1.74x</b>	<b>10.8x</b>

\$ in millions, except per share pricing  
Source: Capital IQ, Mercer Capital Analysis

### Quick References

Enterprise Value	Market Capitalization + Total Debt + Preferred Equity + Minority Interest - Cash and Short Term Investments
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
LTM	Last Twelve Months
NTM	Next Twelve Month Estimates

## Public Company Pricing (continued)

### Diagnostic Services

Company Name	Ticker	Price			Δ Stock Price		EV	LTM		EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual		Q4 2016	Q4 2016				
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2017	Q4 2017
Alliance Healthcare Services, Inc.	AIQ	\$9.60	\$6.86	\$8.79	39.9%	9.2%	\$711	\$500	\$118	1.42x	6.0x	NA	NA
Quest Diagnostics Incorporated	DGX	\$91.03	\$83.83	\$69.60	8.6%	30.8%	\$16,269	\$7,503	\$1,510	2.17x	10.8x	2.14x	10.6x
RadNet, Inc.	RDNT	\$6.45	\$7.40	\$6.18	-12.8%	4.4%	\$951	\$875	\$102	1.09x	9.3x	1.05x	6.7x
<b>Median</b>					<b>8.6%</b>	<b>9.2%</b>				<b>1.42x</b>	<b>9.3x</b>	<b>1.59x</b>	<b>8.7x</b>

\$ in millions, except per share pricing  
Source: Capital IQ, Mercer Capital Analysis

### Dialysis Services

Company Name	Ticker	Price			Δ Stock Price		EV	LTM		EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual		Q4 2016	Q4 2016				
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2017	Q4 2017
DaVita Inc.	DVA	\$64.20	\$66.07	\$70.02	-2.8%	-8.3%	\$21,404	\$14,550	\$2,492	1.47x	8.6x	1.41x	8.5x
Fresenius Medical Care AG & Co. KGAA	FME	\$84.24	\$85.72	\$83.25	4.6%	4.6%	\$36,213	\$18,003	\$3,256	2.01x	11.1x	1.90x	10.1x
<b>Median</b>					<b>0.9%</b>	<b>-1.9%</b>				<b>1.74x</b>	<b>9.9x</b>	<b>1.66x</b>	<b>9.3x</b>

\$ in millions, except per share pricing  
Source: Capital IQ, Mercer Capital Analysis

### Distribution / Supply

Company Name	Ticker	Price			Δ Stock Price		EV	LTM		EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual		Q4 2016	Q4 2016				
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2017	Q4 2017
AmerisourceBergen Corporation	ABC	\$77.55	\$79.75	\$102.41	-2.8%	-24.3%	\$18,727	\$146,850	\$2,069	0.13x	9.1x	0.12x	8.1x
Cardinal Health, Inc.	CAH	\$71.58	\$76.80	\$88.03	-6.8%	-18.7%	\$26,701	\$125,530	\$3,085	0.21x	8.7x	0.20x	7.9x
Henry Schein, Inc.	HSIC	\$151.71	\$162.98	\$159.91	-6.9%	-5.1%	\$13,783	\$11,302	\$967	1.22x	14.3x	1.15x	13.1x
McKesson Corporation	MCK	\$139.95	\$165.83	\$196.69	-15.6%	-28.8%	\$35,912	\$194,267	\$4,413	0.18x	8.1x	0.18x	7.9x
Patterson Companies, Inc.	PDCO	\$40.56	\$45.17	\$44.01	-10.2%	-7.8%	\$5,010	\$5,605	\$437	0.89x	11.5x	0.87x	11.6x
<b>Median</b>					<b>-6.9%</b>	<b>-18.7%</b>				<b>0.21x</b>	<b>9.1x</b>	<b>0.20x</b>	<b>8.1x</b>

\$ in millions, except per share pricing  
Source: Capital IQ, Mercer Capital Analysis

## Public Company Pricing (continued)

## Home Care / Hospice

Company Name	Ticker	Price			Δ Stock Price		EV	LTM			EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual		Q4 2016	Q4 2016	Q4 2016				
Addus HomeCare Corporation	ADUS	\$35.05	\$26.16	\$24.09	34.0%	45.5%	\$384	\$382	\$26	1.01x	14.5x	0.91x	11.4x	
Almost Family, Inc.	AFAM	\$44.10	\$36.77	\$38.68	19.9%	14.0%	\$724	\$624	\$39	1.16x	18.4x	0.92x	10.8x	
Amedisys, Inc.	AMED	\$42.63	\$47.44	\$40.46	-10.1%	5.4%	\$1,517	\$1,391	\$79	1.09x	19.1x	1.02x	11.9x	
Chemed Corporation	CHE	\$159.97	\$140.41	\$150.21	13.9%	6.5%	\$2,692	\$1,572	\$215	1.71x	12.5x	1.64x	11.0x	
LHC Group, Inc.	LHCG	\$45.70	\$36.88	\$46.30	23.9%	-1.3%	\$924	\$882	\$81	1.05x	11.4x	0.95x	10.4x	
The Providence Service Corporation	PRSC	\$38.05	\$48.63	\$47.38	-21.8%	-19.7%	\$887	\$1,784	\$125	0.50x	7.1x	0.57x	15.4x	
<b>Median</b>					<b>16.9%</b>	<b>5.9%</b>				<b>1.07x</b>	<b>13.5x</b>	<b>0.94x</b>	<b>11.2x</b>	

\$ in millions, except per share pricing  
Source: Capital IQ, Mercer Capital Analysis

## Pharmacy Management

Company Name	Ticker	Price			Δ Stock Price		EV	LTM			EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual		Q4 2016	Q4 2016	Q4 2016				
BioScrip, Inc.	BIOS	\$1.04	\$2.89	\$1.78	-64.0%	-41.6%	\$625	\$939	\$24	0.67x	26.5x	0.66x	16.7x	
Express Scripts Holding Company	ESRX	\$68.79	\$70.53	\$87.87	-2.5%	-21.7%	\$56,230	\$101,600	\$6,839	0.55x	8.2x	0.54x	7.6x	
Omniceil, Inc.	OMCL	\$33.90	\$38.30	\$31.19	-11.5%	8.7%	\$1,414	\$651	\$72	2.17x	19.8x	1.90x	12.2x	
PharMerica Corporation	PMC	\$25.15	\$28.07	\$35.02	-10.4%	-28.2%	\$1,158	\$2,077	\$131	0.56x	8.8x	0.53x	8.2x	
<b>Median</b>					<b>-10.9%</b>	<b>-24.9%</b>				<b>0.61x</b>	<b>14.3x</b>	<b>0.60x</b>	<b>10.2x</b>	

\$ in millions, except per share pricing  
Source: Capital IQ, Mercer Capital Analysis

## Public Company Pricing (continued)

## Physician Practice Management

Company Name	Ticker	Price		Δ Stock Price		EV	LTM		EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA	
		Q4 2016	Q3 2016	Q4 2015	Q4 2016		Q4 2016	Q4 2016					
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2017	Q4 2017
Birner Dental Management Services, Inc.	BDMS	\$16.00	\$17.00	\$10.98	-5.9%	45.7%	\$39	\$63	\$3	0.63x	15.3x	NA	NA
MEDNAX, Inc.	MD	\$66.66	\$66.25	\$72.10	0.6%	-7.5%	\$7,900	\$3,094	\$662	2.55x	11.9x	2.28x	11.0x
<b>Median</b>					<b>-2.6%</b>	<b>19.1%</b>				<b>1.59x</b>	<b>13.6x</b>	<b>2.28x</b>	<b>11.0x</b>

\$ in millions, except per share pricing  
Source: Capital IQ, Mercer Capital Analysis

## Psychiatric Hospitals

Company Name	Ticker	Price		Δ Stock Price		EV	LTM		EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA	
		Q4 2016	Q3 2016	Q4 2015	Q4 2016		Q4 2016	Q4 2016					
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2017	Q4 2017
AAC Holdings, Inc.	AAC	\$7.24	\$17.39	\$18.55	-58.4%	-61.0%	\$340	\$245	\$26	1.39x	13.0x	1.15x	6.8x
Acadia Healthcare Company, Inc.	ACHC	\$33.10	\$49.55	\$62.79	-33.2%	-47.3%	\$6,548	\$2,603	\$544	2.52x	12.0x	2.27x	10.4x
Magellan Health, Inc.	MGLN	\$75.25	\$53.73	\$62.23	40.1%	20.9%	\$2,057	\$4,842	\$236	0.42x	8.7x	0.36x	6.1x
<b>Median</b>					<b>-33.2%</b>	<b>-47.3%</b>				<b>1.39x</b>	<b>12.0x</b>	<b>1.15x</b>	<b>6.8x</b>

\$ in millions, except per share pricing  
Source: Capital IQ, Mercer Capital Analysis

## Skilled Nursing

Company Name	Ticker	Price		Δ Stock Price		EV	LTM		EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA	
		Q4 2016	Q3 2016	Q4 2015	Q4 2016		Q4 2016	Q4 2016					
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2017	Q4 2017
Diversicare Healthcare Services, Inc.	DVCR	\$10.28	\$9.83	\$7.89	4.5%	30.3%	\$132	\$389	\$19	0.34x	7.1x	NA	NA
Genesis Healthcare, Inc.	GEN	\$4.25	\$2.67	\$3.67	59.2%	15.8%	\$5,382	\$5,657	\$527	0.95x	10.2x	0.95x	23.6x
The Ensign Group, Inc.	ENSG	\$22.12	\$20.01	\$22.48	10.5%	-1.6%	\$1,248	\$1,595	\$123	0.78x	10.2x	0.70x	7.0x
Kindred Healthcare, Inc.	KND	\$7.74	\$9.89	\$11.15	-21.8%	-30.6%	\$3,999	\$7,255	\$560	0.55x	7.1x	0.60x	4.6x
National HealthCare Corporation	NHC	\$74.80	\$64.76	\$60.01	15.5%	24.6%	\$1,133	\$923	\$105	1.23x	10.8x	NA	NA
<b>Median</b>					<b>10.5%</b>	<b>15.8%</b>				<b>0.78x</b>	<b>10.2x</b>	<b>0.70x</b>	<b>7.0x</b>

\$ in millions, except per share pricing  
Source: Capital IQ, Mercer Capital Analysis

## Public Company Pricing (continued)

## Surgical Centers / Rehabilitation

Company Name	Ticker	Price			Δ Stock Price		EV	LTM		EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual		Q4 2016	Q4 2016				
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2017	Q4 2017
Envision Healthcare Corporation	EVHC	\$63.29	\$67.05	\$77.40	-5.6%	-18.2%	\$10,821	\$3,010	\$736	3.60x	14.7x	1.16x	8.3x
HealthSouth Corporation	HLS	\$41.01	\$40.11	\$34.06	2.2%	20.4%	\$6,935	\$3,576	\$818	1.94x	8.5x	1.80x	8.5x
SCAI Holdings, LLC	SCAI	\$46.27	\$48.76	\$40.27	-5.1%	14.9%	\$3,500	\$1,188	\$272	2.95x	12.9x	2.45x	16.4x
Select Medical Holdings Corporation	SEM	\$13.25	\$13.50	\$12.34	-1.9%	7.4%	\$4,697	\$4,211	\$452	1.12x	10.4x	1.07x	9.2x
<b>Median</b>					<b>-3.5%</b>	<b>11.1%</b>				<b>2.44x</b>	<b>11.6x</b>	<b>1.48x</b>	<b>8.8x</b>

\$ in millions, except per share pricing  
Source: Capital IQ, Mercer Capital Analysis

## Healthcare REIT

Company Name	Ticker	Price			Δ Stock Price		EV	LTM		EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual		Q4 2016	Q4 2016				
		Q4 2016	Q3 2016	Q4 2015	Qrtly	Annual	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2016	Q4 2017	Q4 2017
Care Capital Properties, Inc.	CCP	\$23.90	\$26.63	\$26.98	-10.2%	-11.4%	\$3,526	\$343	\$307	10.28x	11.5x	10.06x	11.9x
Welltower Inc.	HCN	\$65.23	\$71.92	\$63.36	-9.3%	2.9%	\$39,141	\$4,134	\$2,088	9.47x	18.7x	8.99x	18.5x
HCP, Inc.	HCP	\$29.01	\$33.31	\$32.36	-12.9%	-10.4%	\$25,083	\$1,902	\$1,051	13.18x	23.9x	11.82x	19.0x
Healthcare Realty Trust Incorporated	HR	\$29.74	\$33.05	\$26.66	-10.0%	11.6%	\$4,740	\$405	\$228	11.71x	20.8x	10.91x	19.2x
LTC Properties, Inc.	LTC	\$45.87	\$50.15	\$40.66	-8.5%	12.8%	\$2,428	\$157	\$140	15.44x	17.4x	14.15x	15.6x
Omega Healthcare Investors, Inc.	OHI	\$30.10	\$33.49	\$31.59	-10.1%	-4.7%	\$10,854	\$877	\$838	12.38x	12.9x	13.67x	12.5x
Ventas, Inc.	VTR	\$61.06	\$68.09	\$52.76	-10.3%	15.7%	\$33,593	\$3,410	\$1,808	9.85x	18.6x	9.41x	16.7x
<b>Median</b>					<b>-10.1%</b>	<b>2.9%</b>				<b>11.71x</b>	<b>18.6x</b>	<b>10.91x</b>	<b>16.7x</b>

\$ in millions, except per share pricing  
Source: Capital IQ, Mercer Capital Analysis

## End Notes & Sources

- <sup>1</sup> XLV currently includes 63 stocks in the Health Care Select Sector Index – a benchmark representing select healthcare stocks included in the S&P 500.
- <sup>2</sup> “NHE Fact Sheet,” Available online at <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpend-data/nhe-fact-sheet.html>, Accessed August 18, 2016.
- <sup>3</sup> “The Facts on Medicare Spending and Financing,” Available online at <http://kff.org/medicare/issue-brief/the-facts-on-medicare-spending-and-financing/>, Accessed August 19, 2016.
- <sup>4</sup> “The Facts on Medicare Spending and Financing,” Available online at <http://kff.org/medicare/issue-brief/the-facts-on-medicare-spending-and-financing/>, Accessed August 19, 2016.
- <sup>5</sup> “Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group,” Available online at, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>, Accessed August 23, 2016.
- <sup>6</sup> “Value Based Reimbursement: The Rock Thrown Into The Health Care Pond,” Available online at <http://healthaffairs.org/blog/2016/07/08/value-based-reimbursement-the-rock-thrown-into-the-health-care-pond/>, Accessed August 22, 2016.
- <sup>7</sup> “HHS reaches goal of tying 30 percent of Medicare payments to quality ahead of schedule,” Available online at <http://www.hhs.gov/about/news/2016/03/03/hhs-reaches-goal-tying-30-percent-medicare-payments-quality-ahead-schedule.html>, Accessed August 22, 2016.
- <sup>8</sup> “Moody’s: 5 key for profit hospital consolidation trends,” Online, Available, <http://www.beckershospitalreview.com/hospital-transactions-and-valuation/moody-s-5-key-for-profit-hospital-consolidation-trends.html>, Accessed December 28, 2016..
- <sup>9</sup> “Healthcare and Life Science Insider: June 2014,” Online, Available, [www.bglco.com/files/healthcare\\_\\_life\\_sciences\\_insider\\_jun\\_14.pdf](http://www.bglco.com/files/healthcare__life_sciences_insider_jun_14.pdf), Accessed August 19, 2016.



# Mercer Capital

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## Contact Us

**Sujan Rajbhandary, CFA**  
901.322.9749  
sujanr@mercercapital.com

**Timothy R. Lee, ASA**  
901.322.9740  
leet@mercercapital.com

**Jay D. Wilson, Jr., CFA, ASA, CBA**  
469.778.5860  
wilsonj@mercercapital.com

**Atticus L. Frank**  
901.322.9754  
franka@mercercapital.com

### MERCER CAPITAL

**Memphis**  
5100 Poplar Avenue, Suite 2600  
Memphis, Tennessee 38137  
901.685.2120

**Nashville**  
102 Woodmont Blvd., Suite 231  
Nashville, Tennessee 37205  
615.345.0350

**Dallas**  
12201 Merit Drive, Suite 480  
Dallas, Texas 75251  
214.468.8400

[www.mercercapital.com](http://www.mercercapital.com)