

VALUE FOCUS

# Healthcare Facilities



## Year-End 2017

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## Overview

Healthcare facility stocks we tracked realized mixed price performance over 2017. Homecare and hospice stocks generally outperformed broader markets, as did certain outpatient clinic operators. In contrast, more asset-intensive, traditional healthcare providers (acute-care, long-term care/skilled nursing companies) experienced pricing weakness, underperforming the S&P 500 index over the year. The specialty services sub-sector also tracked below the S&P 500 in 2017.

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, though uncertainty remains. However, attempts to pass meaningful changes to the ACA have been met with resistance, diminishing the likelihood of major overhauls to current law. Healthcare facilities continue to adapt to new payment models seeking to emphasize quality rather than (the number

of) procedures, with both private and public (CMS) insurance plans nudging providers towards quality-based measures. Bundled-payments, Medicare funding, looming labor shortages, and technological integration will all continue to affect healthcare facilities in the near and far future.

Despite near-term uncertainty, long-term healthcare facility fundamentals remain promising. Growing aged-population in the U.S. will continue to drive demand for facility products and services, and current valuation trends and expectations are positive for healthcare facilities overall. However, certain facility sectors may be forced to realign their cost structures and product offerings as providers push patients to lower acuity, and ultimately lower cost, settings.

## Industry Perspectives

### Towards a Total Continuum of Care

"Our strategy is to expand our footprints or access points we call them in these markets, be that outpatient services such as urgent care, freestanding emergency room, physician clinics that are all then connected to the network of our hospitals in these markets."

#### **Victor Campbell**

**Senior Vice President, HCA Holdings, Inc. (NYSE: HCA)**  
on expanding HCA's continuum of care

### Future of Hospitals

"If technological and reimbursement trends continue—including large cuts to Medicare—it is likely that the country would need fewer hospitals."

#### **Ken Kaufman**

**Chairman of health-care advisory firm Kaufman Hall**  
on traditional hospital investment

### Political Uncertainty Remains

"In my healthcare career, I can't remember a time when politics played such a large role. Who's coming in and who's coming out of office greatly affects healthcare policy. What's scary is that people making the decisions don't have the knowledge of the complexity of healthcare."

#### **James L. Robinson II, PsyD**

**President of Presence Saint Joseph's Hospital-Chicago**

### Labor Shortage?

"Labor is the largest hospital expense and is increasing faster than total expense growth while outpacing revenue growth...The lack of qualified nurses will compound these expense pressures and negatively affect hospital margins."

#### **Safat Hannan**

#### **Moody's analyst**

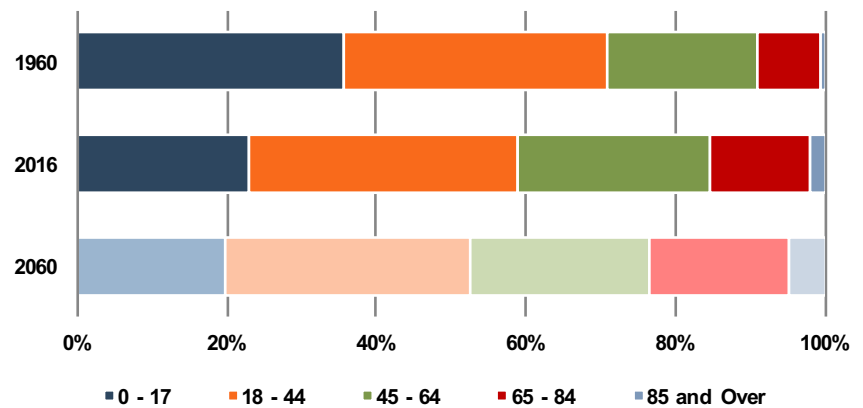
on the risk of labor constraints for hospitals

## Macroeconomic Trends

### Demographic Trends I

The aging population, driven by declining fertility rates and increasing life expectancy, represents a major demand driver for the healthcare industry. The U.S. elderly population (persons aged 65 and above) totaled 49 million in 2016 (15% of the population). **The U.S. Census Bureau estimates** that the elderly will roughly double by 2060 to 95 million, representing 23% of the total population.

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

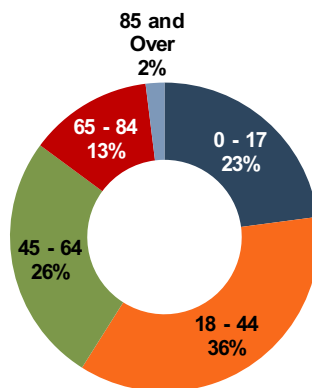


Source: U.S. Census Bureau

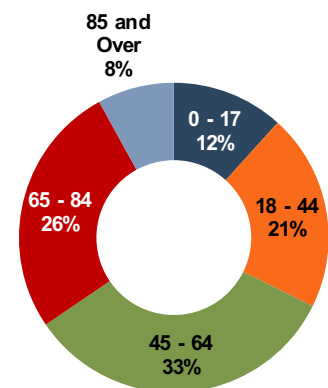
### Demographic Trends II

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).

### U.S. Population Distribution by Age



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



Source: U.S. Census Bureau, Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group

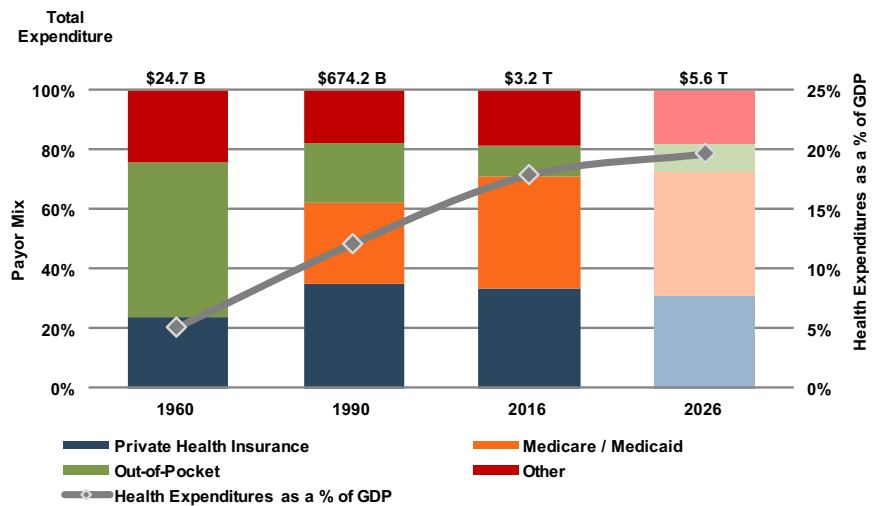
## Macroeconomic Trends (continued)

### U.S. Healthcare Expenditure I

Demographic shifts underlie the expected growth in total **U.S. healthcare expenditure** from \$3.3 trillion in 2016 to \$5.7 trillion in 2026, an average annual growth rate of 5.5%, compared to 7.3% observed between 1990 and 2007 and 4.2% between 2008 and 2016. **Projected growth in annual spending for Medicare (7.4%) and Medicaid (5.8%)** is expected to contribute substantially to the increase in national health expenditure over the coming decade. **Healthcare spending as a percentage of GDP** is expected to expand from 18% in 2016 to nearly 20% by 2026.

Since inception, **Medicare** has accounted for an increasing proportion of total U.S. healthcare

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



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

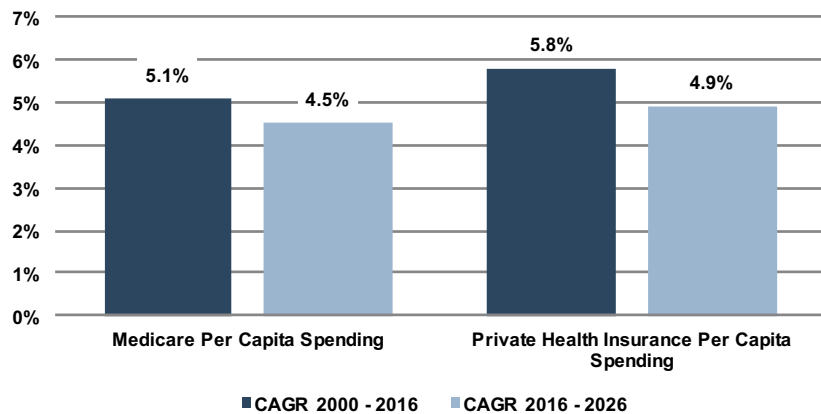
expenditures. Medicare currently provides healthcare benefits for an estimated 57 million elderly and disabled people, constituting approximately 15% of the federal budget in 2016. Medicare represents the largest portion of total healthcare costs, constituting 20% of total health spending in 2015. Medicare also accounts for 26% of hospital spending, 29% of retail prescription drugs sales, and 23% of physician services.

## Macroeconomic Trends (continued)

### U.S. Healthcare Expenditure II

The ACA incorporated changes that are expected to constrain annual growth in Medicare spending over the next several decades, including reductions in Medicare payments to plans and providers, increased revenues, and new delivery system reforms that aim to improve efficiency and quality of patient care and reduce costs. On a per person basis, **Medicare spending** is projected to grow at 4.5% annually between 2016 and 2026, compared to 5.1% average annualized growth realized between 2000 and 2016.

Average Spending Growth Rates, Medicare and Private Health Insurance

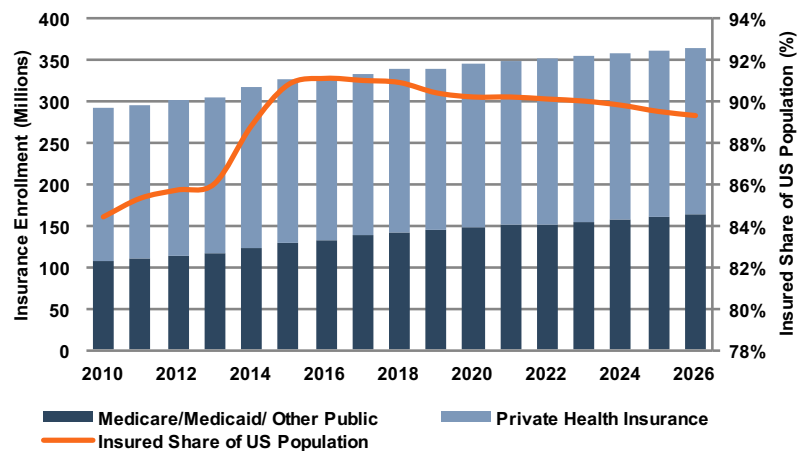


Source: Kaiser Family Foundation

### Health Insurance Coverage

The ACA was passed, in part, to address the number of Americans without health insurance. People covered by insurance are more likely to use healthcare services, boosting demand for healthcare facilities. **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 84% in 2010 to 91% by year-end 2018. Thereafter, the percentage of the insured population is expected to fall slightly, due to the repeal of the individual health insurance mandate (included as part of the tax reform legislation passed in late 2017).

Health Insurance Enrollment Totals



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

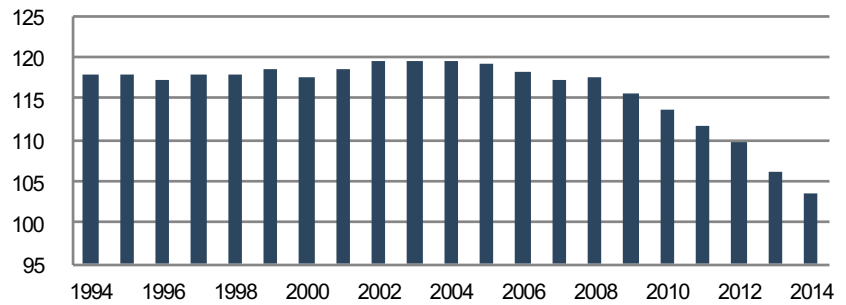
**CBO estimates** that repealing that mandate starting in 2019, and making no other changes to current law, would reduce the number of people with health insurance by 4 million in 2019 and 13 million in 2027.

## Macroeconomic Trends (continued)

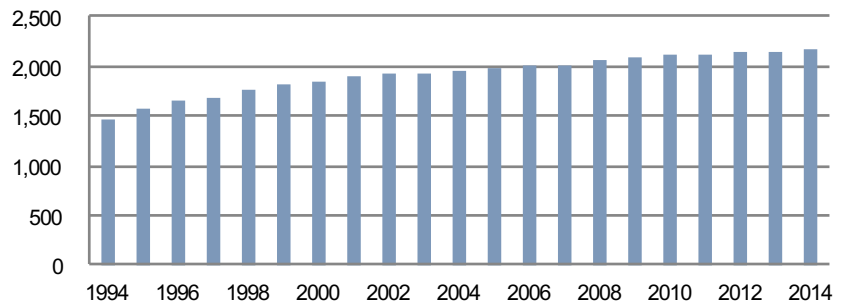
### Inpatient vs. Outpatient Visits

As inpatient admissions have declined, healthcare operators are investing in lower acuity healthcare settings, including urgent care centers, free-standing emergency rooms, and outpatient clinics. Pressure from payors on reimbursement, cost savings, and favorable economics have also contributed to this shift that is expected to continue for the foreseeable future.

#### Inpatient Admissions per 1,000



#### Outpatient Visits per 1,000

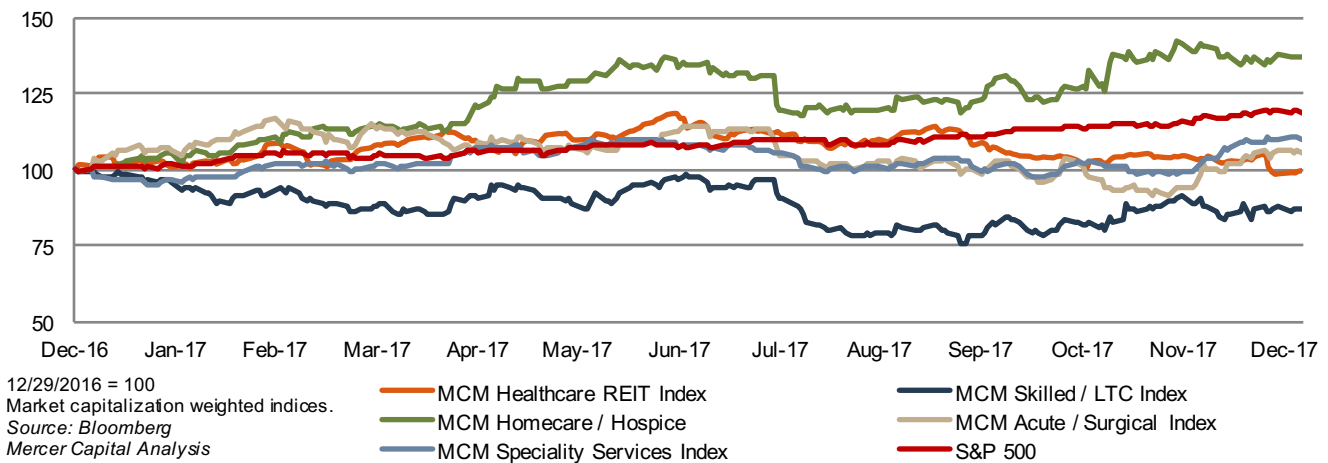


Source: American Hospital Association

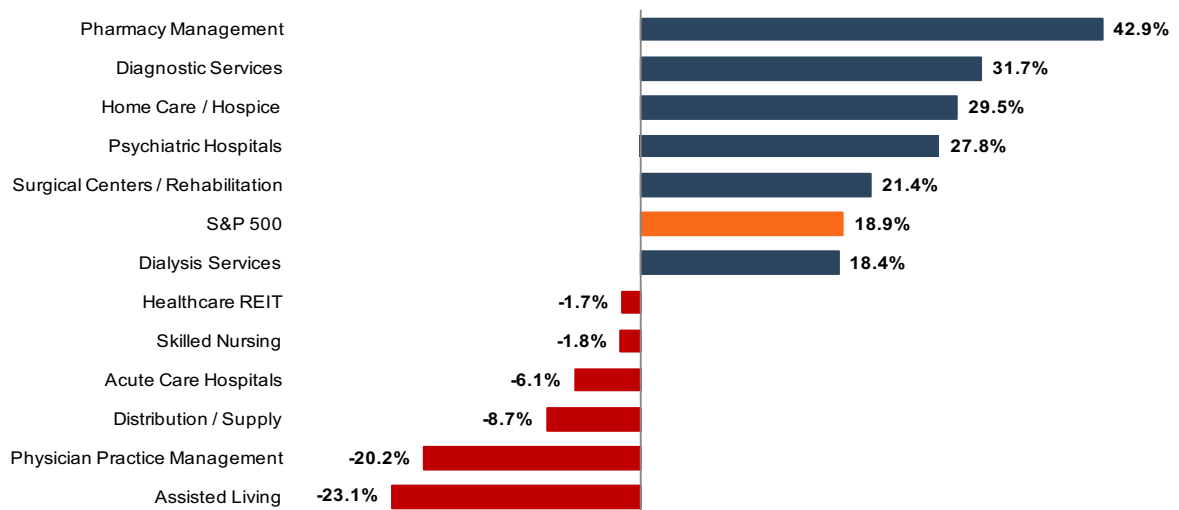
## Valuation Trends

Healthcare facility sub-sectors stock price performance was mixed over 2017. The homecare/hospice sub-sector rose nearly 40% in 2017, specialty service stocks rose 10%, and the acute/surgical sub-sector rose over 6%. Outpatient focused healthcare providers (surgical center/outpatient-focused operators) outperformed traditional inpatient (acute-care) operators within the index, driven by admission trends favoring outpatient settings. On the flip-side, the long-term care/skilled nursing sub-sector declined 13% over 2017, driven by declining occupancy and weakening trends in the senior living sector of the healthcare facilities market. Healthcare-focused REIT stocks tracked by Mercer Capital were flat, registering a 0.6% decline over 2017.

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



### Median Stock Price % Change, 1 Year



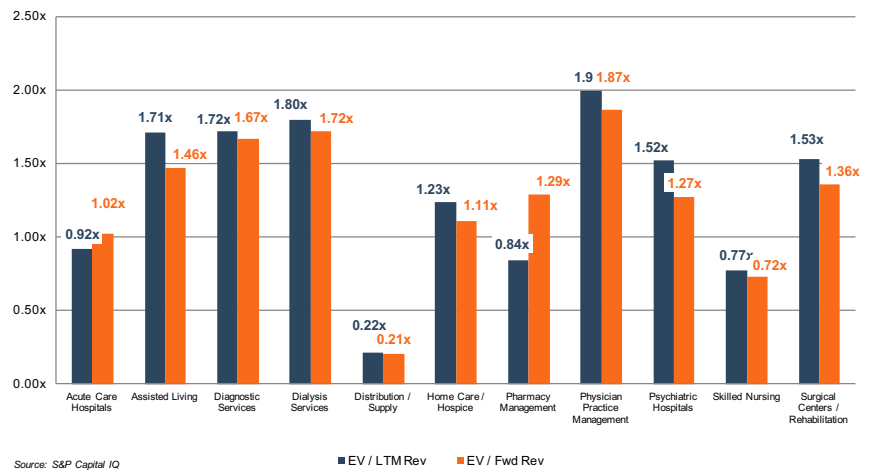
Source: S&P Capital IQ  
Mercer Capital Analysis



## Valuation Trends (continued)

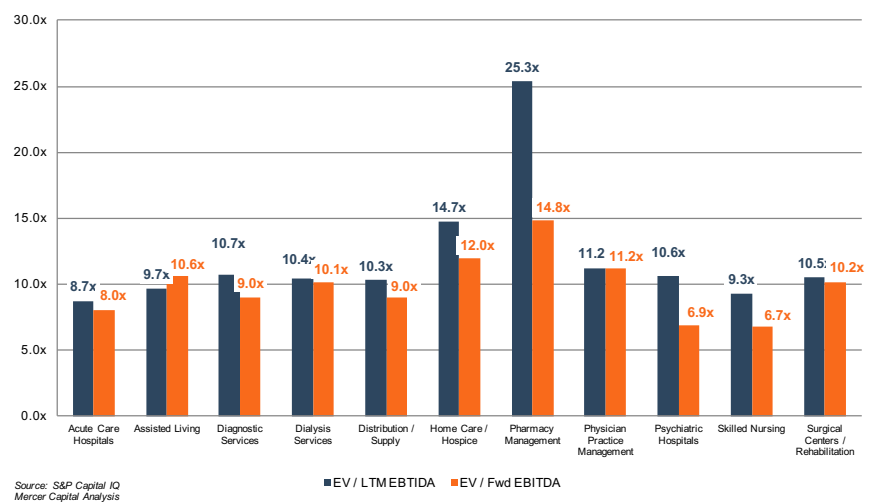
### Revenue Multiples

Excluding healthcare REITs, sub-sectors with the highest LTM revenue multiples at year-end 2017 were physician practice management, dialysis services, and diagnostic 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 2017 were physician practice management, pharmacy management, and homecare / hospice facilities. Forward EBITDA is expected to grow across most sectors over the next twelve months.



## Mergers & Acquisitions Transactions Summary

Buyer / Acquirer	Target / Seller	Announce Date	Close Date	Implied Enterprise Value (\$ millions)	Implied Enterprise Value /	
					EBITDA	Revenue
Mars, Incorporated	VCA Inc.	1/7/17	9/12/17	9,068.2	18.4x	3.60x
Optum, Inc.	DaVita Medical Group	12/5/17	NA	4,900.0	NA	NA
TPG Capital, L.P.; Welsh, Carson, Anderson & Stowe; Humana Inc.	Kindred Healthcare, Inc.	12/19/17	NA	4,171.8	9.2x	0.60x
Optum, Inc.	Surgical Care Affiliates, Inc. (nka:SCAI Holdings, LLC)	1/7/17	3/24/17	4,169.0	12.3x	3.31x
Bain Capital Private Equity, LP	Surgery Partners, Inc.	5/9/17	8/31/17	2,787.1	11.1x	2.45x
American Securities LLC	Air Methods Corporation	3/14/17	4/20/17	2,486.5	8.7x	2.12x
Air Medical Group Holdings, Inc.	American Medical Response, Inc.	8/7/17	NA	2,400.0	NA	NA
KKR & Co. L.P.; Walgreens Boots Alliance, Inc.; KKR Americas Fund XII LP	PharMerica Corporation	8/1/17	12/7/17	1,363.5	10.3x	0.62x
LHC Group, Inc.	Almost Family, Inc.	11/15/17	NA	1,016.8	23.9x	1.36x
Innovation Network Corporation of Japan; Konica Minolta Healthcare Americas, Inc.	Ambry Genetics Corp.	7/6/17	10/19/17	1,000.0	NA	NA
AmerisourceBergen Corporation	H. D. Smith, LLC	11/20/17	1/2/18	815.0	NA	NA
Surgery Partners, Inc.	National Surgical Hospitals, Inc.	5/9/17	8/31/17	760.0	NA	NA
Concentra, Inc.	U.S. Healthworks, Inc.	10/22/17	2/1/18	753.0	11.3x	NA
Fortive Corporation	Landauer, Inc.	9/6/17	10/18/17	740.7	17.0x	4.83x
McKesson Specialty Health	RXC Acquisition Company	11/6/17	1/3/18	735.0	NA	NA
Diplomat Pharmacy, Inc.	Leehar Distributors, Inc.	11/15/17	12/20/17	595.6	NA	NA
Pharmaceutical Research Associates, Inc.	Symphony Health Solutions	8/3/17	9/6/17	530.0	NA	2.65x
Teladoc, Inc.	Best Doctors, Inc.	6/19/17	7/14/17	440.0	55.1x	4.48x

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
HCA Holdings, Inc. (nka:HCA Healthcare, Inc.)	Memorial University Medical Center, Inc.	4/19/17	NA	430.0	NA	NA
Owens & Minor, Inc.	Byram Healthcare Centers, Inc.	5/2/17	8/1/17	380.0	NA	NA
Shanghai Hongxiao Technology Co., Ltd.	MIVIP Healthcare Holdings LLC	1/17/17	NA	375.0	NA	NA
GEO Group, Inc.	Community Education Centers, Inc.	2/22/17	4/6/17	360.0	NA	NA
Physicians Realty L.P.	BCC Cancer Center Venture, L.P.	6/27/17	6/30/17	290.0	NA	NA
Collaborative Care Services, Inc.	American Health Network, Inc.	4/8/17	5/22/17	230.0	NA	NA
Tabula Rasa Healthcare, Inc.	SinfoniaRx, Inc.	9/6/17	9/6/17	131.5	NA	4.85x
KKR Credit Advisors (US) LLC	Angelica Corporation	4/3/17	6/30/17	125.0	NA	NA
WNS (Holdings) Limited	HealthHelp Inc	3/15/17	3/15/17	95.0	NA	NA
Quest Diagnostics Incorporated	Cleveland HeartLab, Inc.	10/18/17	12/1/17	94.0	NA	NA
New Look Vision Group Inc.	IRIS The Visual Group Inc.	6/30/17	10/24/17	92.9	NA	NA
Olympus America Inc.	Image Stream Medical, Inc.	4/28/17	NA	87.0	NA	2.81x
Cross Country Healthcare, Inc.	Advantage RN, LLC	6/13/17	7/5/17	86.8	8.7x	0.87x
Centers Health Care, LLC	Capital Living and Rehabilitation Centres	9/5/17	9/5/17	85.0	NA	NA
RWS Holdings plc	LUZ, Inc.	2/14/17	2/17/17	82.5	NA	2.83x
Bridge Investment Group, LLC	SHI Carlisle Palm Beach	9/13/17	9/13/17	77.2	NA	NA
UDG Healthcare plc	MicroMass Communications, Inc.	9/14/17	9/14/17	75.8	NA	3.30x

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
Saint Francis Health System, Inc.	EASTAR Health System, LLC (nka:Saint Francis Muskogee)	2/3/17	3/31/17	64.3	NA	NA
Global Medical REIT LP	Norvin Austin Rehab LLC	7/5/17	9/25/17	40.7	NA	NA
Invitae Corporation	Good Start Genetics, Inc.	7/31/17	8/4/17	40.0	NA	1.78x
Webster Capital	Cirrus Medical Staffing, Inc.	10/4/17	10/19/17	39.4	NA	NA
UDG Healthcare plc	Cambridge BioMarketing Group, LLC	7/17/17	7/17/17	35.0	NA	NA
National Health Investors, Inc.	Country Club of Woodland Hills, Limited Partnership	12/1/17	12/1/17	34.6	NA	NA
Envoy Health Management LLC	WRB Communications, Inc.	5/8/17	5/8/17	30.0	13.6x	2.00x
Premier Healthcare Management	Washington County Health Center Auxiliary, Inc.	6/30/17	NA	29.6	NA	NA
ExlService Holdings, Inc.	Health Integrated, Inc.	10/24/17	12/22/17	27.0	NA	NA
Diplomat Pharmacy, Inc.	Focus Rx Pharmacy Services Inc.	9/1/17	9/1/17	26.8	NA	NA
Skyline Healthcare, LLC	Whitehall OpCo, LLC	8/17/17	1/4/18	26.0	NA	NA
Colonial Oaks Senior Living Holdco, LLC	Nazareth Vista, LLC	3/6/17	6/28/17	25.8	NA	NA
Regional Medical Center Anniston	Anniston HMA, LLC	3/3/17	4/28/17	25.0	NA	NA
Maryland Adult Day Health, Inc.	Rainbow ADHC, LLC	3/1/17	3/1/17	24.7	NA	1.37x
Aier (USA) International Holdings, Inc.	AW Healthcare Management LLC	12/30/16	3/31/17	24.0	NA	NA
Novation Companies, Inc.	Healthcare Staffing, Inc.	2/1/17	7/27/17	24.0	NA	NA
Addus HomeCare Corporation	Options Services, Inc.	4/24/17	8/1/17	23.2	NA	1.16x

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
Chartwell Retirement Residences	The Orchards Retirement Residence	1/10/17	2/1/17	22.0	NA	NA
MedEquities Realty Trust, Inc.	Advanced Diagnostics Hospital East, LLC	11/7/17	NA	17.5	NA	NA
The Blackstone Group L.P.	HCRIX Royal LLC	3/13/17	3/13/17	17.1	NA	NA
GORNC Realty, LLC	Gowanda Rehabilitation and Nursing Center, Inc.	9/13/16	NA	16.0	NA	NA
Sienna Senior Living Inc.	Retirement Suites of Kawartha Lakes (nka:Kawartha Lakes Retirement Residence.)	6/6/17	7/5/17	15.6	NA	NA
CRH Medical Corporation	Central Colorado Anesthesia Associates, LLC	9/11/17	9/11/17	15.5	NA	NA
Northstar Healthcare Acquisitions, LLC	Hamilton Vein Inc.	1/6/17	3/13/17	13.3	NA	NA
Navicent Health Inc.	Navicent Health Baldwin, Inc.	6/29/17	10/1/17	12.2	NA	NA
Mettrum Health Corp.	2344823 Ontario Inc., d/b/a Bodystream	1/10/17	1/10/17	10.8	NA	NA
CRH Medical Corporation	West Florida Anesthesia Associates, LLC	8/1/17	8/1/17	10.6	NA	NA

Source: Capital IQ, Mercer Capital Analysis

## Public Company Pricing

### Acute Care Hospitals

Company Name	Ticker	Price			Δ Stock Price		EV 4Q17	LTM		EV / Rev. 4Q17	EV / EBITDA 4Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18
		4Q17	2Q16	4Q16	Half-year	Annual		Rev.	EBITDA				
Community Health Systems, Inc.	CYH	\$4.26	\$10.05	\$5.74	-57.6%	-25.8%	\$14,487	\$16,764	\$1,655	0.86x	8.8x	1.04x	9.1x
HCA Healthcare, Inc.	HCA	\$87.84	\$86.81	\$73.89	1.2%	18.9%	\$64,999	\$42,693	\$8,031	1.52x	8.1x	1.44x	7.7x
LifePoint Health, Inc.	LPNT	\$49.80	\$67.30	\$57.45	-26.0%	-13.3%	\$4,867	\$6,406	\$749	0.76x	6.5x	0.76x	6.4x
Tenet Healthcare Corporation	THC	\$15.16	\$19.46	\$15.00	-22.1%	1.1%	\$18,469	\$19,061	\$1,995	0.97x	9.3x	1.00x	7.1x
Quorum Health Corporation	QHC	\$6.24	\$4.00	\$7.37	56.0%	-15.3%	\$1,467	\$2,072	\$75	0.71x	19.4x	0.76x	8.4x
Universal Health Services, Inc.	UHS	\$113.35	\$121.65	\$106.03	-6.8%	6.9%	\$14,805	\$10,243	\$1,697	1.45x	8.7x	1.37x	8.6x
<b>Median</b>					<b>-14.5%</b>	<b>-6.1%</b>				<b>0.92x</b>	<b>8.7x</b>	<b>1.02x</b>	<b>8.0x</b>

\$ in millions, except per share pricing

Source: Capital IQ, Mercer Capital Analysis

### Assisted Living

Company Name	Ticker	Price			Δ Stock Price		EV 4Q17	LTM		EV / Rev. 4Q17	EV / EBITDA 4Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18
		4Q17	2Q16	4Q16	Half-year	Annual		Rev.	EBITDA				
Brookdale Senior Living Inc.	BKD	\$9.70	\$14.79	\$12.62	-34.4%	-23.1%	\$6,785	\$3,961	\$702	1.71x	9.7x	1.46x	10.6x
Capital Senior Living Corporation	CSU	\$13.49	\$15.33	\$16.30	-12.0%	-17.2%	\$1,406	\$464	\$80	3.03x	17.7x	2.89x	13.6x
Five Star Senior Living Inc.	FVE	\$1.50	\$1.60	\$2.70	-6.3%	-44.4%	\$105	\$1,130	\$13	0.09x	8.2x	0.08x	6.2x
<b>Median</b>					<b>-12.0%</b>	<b>-23.1%</b>				<b>1.71x</b>	<b>9.7x</b>	<b>1.46x</b>	<b>10.6x</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 4Q17	LTM			EV / Rev. 4Q17	EV / EBITDA 4Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18
		4Q17	2Q16	4Q16	Half-year		Annual	Rev.	EBITDA				
								4Q17	4Q17				
Quest Diagnostics Incorporated	DGX	\$98.05	\$109.07	\$89.79	-10.1%	9.2%	\$17,026	\$7,634	\$1,432	2.23x	11.9x	2.15x	10.6x
RadNet, Inc.	RDNT	\$10.10	\$7.80	\$6.55	29.5%	54.2%	\$1,099	\$912	\$116	1.21x	9.5x	1.19x	7.4x
<b>Median</b>					<b>9.7%</b>	<b>31.7%</b>				<b>1.72x</b>	<b>10.7x</b>	<b>1.67x</b>	<b>9.0x</b>

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

### Dialysis Services

Company Name	Ticker	Price		Δ Stock Price		EV 4Q17	LTM			EV / Rev. 4Q17	EV / EBITDA 4Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18
		4Q17	2Q16	4Q16	Half-year		Annual	Rev.	EBITDA				
								4Q17	4Q17				
DaVita Inc.	DVA	\$72.25	\$64.06	\$64.36	12.8%	12.3%	\$22,573	\$15,213	\$2,436	1.48x	9.3x	1.51x	9.5x
Fresenius Medical Care AG & Co. KGAA	FME	\$105.40	\$96.09	\$84.62	9.7%	24.6%	\$41,713	\$19,761	\$3,595	2.11x	11.6x	1.92x	10.8x
<b>Median</b>					<b>11.2%</b>	<b>18.4%</b>				<b>1.80x</b>	<b>10.4x</b>	<b>1.72x</b>	<b>10.1x</b>

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

### Distribution / Supply

Company Name	Ticker	Price		Δ Stock Price		EV 4Q17	LTM			EV / Rev. 4Q17	EV / EBITDA 4Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18
		4Q17	2Q16	4Q16	Half-year		Annual	Rev.	EBITDA				
								4Q17	4Q17				
AmerisourceBergen Corporation	ABC	\$91.46	\$94.50	\$77.66	-3.2%	17.8%	\$21,383	\$153,144	\$2,444	0.14x	8.7x	0.13x	9.0x
Cardinal Health, Inc.	CAH	\$61.27	\$77.13	\$70.51	-20.6%	-13.1%	\$28,127	\$130,578	\$3,041	0.22x	9.2x	0.21x	8.6x
Henry Schein, Inc.	HSIC	\$69.88	\$91.19	\$76.56	-23.4%	-8.7%	\$13,191	\$12,264	\$1,033	1.08x	12.8x	1.01x	11.9x
McKesson Corporation	MCK	\$155.95	\$162.89	\$140.62	-4.3%	10.9%	\$40,044	\$201,955	\$3,885	0.20x	10.3x	0.19x	8.9x
Patterson Companies, Inc.	PDCO	\$35.87	\$46.64	\$39.85	-23.1%	-10.0%	\$4,344	\$5,532	\$391	0.79x	11.1x	0.78x	11.1x
<b>Median</b>					<b>-20.6%</b>	<b>-8.7%</b>				<b>0.22x</b>	<b>10.3x</b>	<b>0.21x</b>	<b>9.0x</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 4Q17	LTM		EV / Rev. 4Q17	EV / EBITDA 4Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18
		4Q17	2Q16	4Q16	Half-year	Annual		Rev. 4Q17	EBITDA 4Q17				
Addus HomeCare Corporation	ADUS	\$34.80	\$37.25	\$35.35	-6.6%	-1.6%	\$398	\$416	\$34	0.96x	11.7x	0.89x	9.8x
Almost Family, Inc.	AFAM	\$55.35	\$61.10	\$44.50	-9.4%	24.4%	\$923	\$750	\$43	1.23x	21.7x	1.11x	12.0x
Amedisys, Inc.	AMED	\$52.71	\$62.49	\$42.59	-15.7%	23.8%	\$1,814	\$1,472	\$116	1.23x	15.7x	1.13x	11.3x
Chemed Corporation	CHE	\$242.75	\$204.51	\$159.50	18.7%	52.2%	\$3,944	\$1,642	\$238	2.40x	16.5x	2.32x	14.5x
LHC Group, Inc.	LHCG	\$61.25	\$67.30	\$45.52	-9.0%	34.6%	\$1,293	\$1,004	\$94	1.29x	13.8x	1.10x	12.1x
The Providence Service Corporation	PRSC	\$59.34	\$50.17	\$38.52	18.3%	54.0%	\$775	\$1,603	\$63	0.48x	12.2x	0.46x	11.9x
<b>Median</b>					<b>-7.8%</b>	<b>29.5%</b>				<b>1.23x</b>	<b>14.7x</b>	<b>1.11x</b>	<b>12.0x</b>

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

## Pharmacy Management

Company Name	Ticker	Price			Δ Stock Price		EV 4Q17	LTM		EV / Rev. 4Q17	EV / EBITDA 4Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18
		4Q17	2Q16	4Q16	Half-year	Annual		Rev. 4Q17	EBITDA 4Q17				
BioScrip, Inc.	BIOS	\$2.91	\$2.61	\$1.02	11.5%	185.3%	\$896	\$875	\$35	1.02x	25.3x	1.29x	15.7x
Express Scripts Holding Company	ESRX	\$74.64	\$63.89	\$69.39	16.8%	7.6%	\$53,792	\$99,549	\$7,133	0.54x	7.5x	0.53x	7.0x
Omniceil, Inc.	OMCL	\$48.50	\$42.95	\$33.80	12.9%	43.5%	\$2,025	\$690	\$41	2.93x	49.4x	2.53x	14.8x
Platinum Capital Limited	PMC	\$1.55	\$1.22	\$1.09	27.0%	42.4%	\$48	\$74	\$0	0.65x	NA	NA	NA
<b>Median</b>					<b>14.9%</b>	<b>42.9%</b>				<b>0.84x</b>	<b>25.3x</b>	<b>1.29x</b>	<b>14.8x</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 4Q17	LTM		EV / Rev. 4Q17	EV / EBITDA 4Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18	
		4Q17	2Q16	4Q16	Half-year		Annual	Rev.					EBITDA
								4Q17					4Q17
MEDNAX, Inc.	MD	\$53.44	\$60.58	\$66.93	-11.8%	-20.2%	\$6,721	\$3,378	\$599	1.99x	11.2x	1.87x	11.2x
<b>Median</b>					<b>-11.8%</b>	<b>-20.2%</b>				<b>1.99x</b>	<b>11.2x</b>	<b>1.87x</b>	<b>11.2x</b>

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

## Psychiatric Hospitals

Company Name	Ticker	Price		Δ Stock Price		EV 4Q17	LTM		EV / Rev. 4Q17	EV / EBITDA 4Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18	
		4Q17	2Q16	4Q16	Half-year		Annual	Rev.					EBITDA
								4Q17					4Q17
AAC Holdings, Inc.	AAC	\$9.00	\$7.04	\$6.86	27.8%	31.2%	\$413	\$272	\$36	1.52x	11.6x	1.27x	6.9x
Acadia Healthcare Company, Inc.	ACHC	\$32.63	\$49.60	\$33.61	-34.2%	-2.9%	\$6,079	\$2,815	\$574	2.16x	10.6x	2.06x	9.7x
Magellan Health, Inc.	MGLN	\$96.55	\$72.85	\$75.55	32.5%	27.8%	\$2,608	\$5,408	\$247	0.48x	10.6x	0.36x	6.5x
<b>Median</b>					<b>27.8%</b>	<b>27.8%</b>				<b>1.52x</b>	<b>10.6x</b>	<b>1.27x</b>	<b>6.9x</b>

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

## Skilled Nursing

Company Name	Ticker	Price		Δ Stock Price		EV 4Q17	LTM		EV / Rev. 4Q17	EV / EBITDA 4Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18	
		4Q17	2Q16	4Q16	Half-year		Annual	Rev.					EBITDA
								4Q17					4Q17
Diversicare Healthcare Services, Inc.	DVCR	\$10.01	\$9.20	\$10.20	8.8%	-1.8%	\$149	\$565	\$29	0.26x	5.2x	NA	NA
Genesis Healthcare, Inc.	GEN	\$0.76	\$1.72	\$4.14	-55.6%	-81.6%	\$4,529	\$5,350	\$420	0.85x	10.8x	0.85x	6.7x
The Ensign Group, Inc.	ENSG	\$22.20	\$21.99	\$22.14	0.9%	0.3%	\$1,390	\$1,795	\$130	0.77x	10.7x	0.72x	7.4x
Kindred Healthcare, Inc.	KND	\$9.70	\$11.65	\$7.94	-16.7%	22.2%	\$4,207	\$6,996	\$454	0.60x	9.3x	0.69x	5.3x
National HealthCare Corporation	NHC	\$60.94	\$69.89	\$74.59	-12.8%	-18.3%	\$861	\$959	\$102	0.90x	8.4x	NA	NA
<b>Median</b>					<b>-12.8%</b>	<b>-1.8%</b>				<b>0.77x</b>	<b>9.3x</b>	<b>0.72x</b>	<b>6.7x</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 4Q17	LTM		EV / Rev. 4Q17	EV / EBITDA 4Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18
		4Q17	2Q16	4Q16	Half-year	Annual		Rev.	EBITDA				
Envision Healthcare Corporation	EVHC	\$34.56	\$62.16	\$64.31	-44.4%	-46.3%	\$11,023	\$7,207	\$1,051	1.53x	10.5x	1.36x	12.8x
Encompass Health Corporation	EHC	\$49.41	\$48.03	\$40.68	2.9%	21.4%	\$7,870	\$3,844	\$821	2.05x	9.6x	1.91x	9.3x
Select Medical Holdings Corporation	SEM	\$17.65	\$15.40	\$13.40	14.6%	31.7%	\$5,784	\$4,299	\$492	1.35x	11.7x	1.26x	10.2x
<b>Median</b>					<b>2.9%</b>	<b>21.4%</b>				<b>1.53x</b>	<b>10.5x</b>	<b>1.36x</b>	<b>10.2x</b>

\$ in millions, except per share pricing

Source: Capital IQ, Mercer Capital Analysis

## Healthcare REIT

Company Name	Ticker	Price			Δ Stock Price		EV 4Q17	LTM		EV / Rev. 4Q17	EV / EBITDA 4Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18
		4Q17	2Q16	4Q16	Half-year	Annual		Rev.	EBITDA				
Sabra Health Care REIT, Inc.	SBRA	\$18.27	\$22.16	\$21.64	-17.6%	-15.6%	\$6,303	\$301	\$251	20.94x	25.1x	10.07x	10.4x
Welltower Inc.	HCN	\$62.77	\$71.53	\$61.55	-12.3%	2.0%	\$36,523	\$4,205	\$2,044	8.69x	17.9x	8.20x	17.3x
HCP, Inc.	HCP	\$25.66	\$30.65	\$27.46	-16.3%	-6.6%	\$19,892	\$1,945	\$1,134	10.23x	17.5x	11.28x	18.4x
Healthcare Realty Trust Incorporated	HR	\$31.76	\$32.92	\$28.45	-3.5%	11.7%	\$4,981	\$422	\$237	11.81x	21.1x	11.00x	19.5x
LTC Properties, Inc.	LTC	\$43.13	\$49.72	\$43.87	-13.3%	-1.7%	\$2,357	\$167	\$147	14.09x	16.0x	13.65x	15.1x
Omega Healthcare Investors, Inc.	OHI	\$26.87	\$30.87	\$27.90	-13.0%	-3.7%	\$10,411	\$922	\$645	11.30x	16.1x	12.91x	12.4x
Ventas, Inc.	VTR	\$60.01	\$67.54	\$58.83	-11.2%	2.0%	\$32,951	\$3,557	\$1,898	9.26x	17.4x	9.10x	16.9x
<b>Median</b>					<b>-13.0%</b>	<b>-1.7%</b>				<b>11.30x</b>	<b>17.5x</b>	<b>11.00x</b>	<b>16.9x</b>

\$ in millions, except per share pricing

Source: Capital IQ, Mercer Capital Analysis

# Mercer Capital

## Healthcare Facilities Industry Services

Mercer Capital provides business valuation and financial advisory services to companies operating in the healthcare facilities industry.

### Industry Segments

Mercer Capital serves the following industry segments:

- Acute care hospitals
- Assisted living facilities
- Emergency services
- Home care and hospice
- Long-term care
- Surgical centers and rehabilitation facilities
- Other healthcare facilities

### Services We Provide

- Valuation of healthcare companies for tax compliance
- Valuations for purchase accounting and impairment testing
- Fairness and solvency opinions
- Transaction advisory for acquisitions and divestitures
- Litigation support for economic damages and valuation and shareholder disputes

Contact a Mercer Capital professional to discuss your needs in confidence.

## Contact Us

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

**Nicholas J. Heinz, ASA**  
901.685.2120  
heinzn@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

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

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

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