

VALUE FOCUS

# Healthcare Facilities



## Mid-Year 2016

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## Overview

Healthcare facilities sector performance generally declined compared to the broader markets through the trailing twelve month period ended June 30, 2016, though performance improved in certain sectors. For example, the current emphasis on admitting patients into lower acuity settings has benefited the homecare and hospice subsector, which has capitalized on providing limited but specialized services at profitable operating levels. This shift to lower acuity, however, has weighed on traditional healthcare facility sectors that incur considerable overhead expense.

Potential political headwinds have also weighed on healthcare facilities, brought on by broad-based calls to reign in drug prices and healthcare costs. Healthcare

facilities continue to adapt to new payment models seeking to emphasize results rather than (the number of) procedures. International Statistical Classification of Diseases (ICD-10) implementation will require compliance with the new coding and data collection guidelines at additional costs to healthcare providers. 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 these risks, current valuation trends and expectations are positive for healthcare facilities. A stable, growing economy and favorable industry dynamics will likely continue to benefit the sector over the longer term.

## Industry Perspectives

### Reimbursement Raises

*"...[W]e start negotiating and discussing with the state the fact that if they are going to raise the minimum wage then we need to have a corresponding increase to our reimbursement. We will continue... where we have this pressure to visit with the reimbursement source and try to make sure that we are able to obtain revenue increases to take care of this. But on the other hand... one of the things we are trying to do as a company through use of technology in our operations, is to become more efficient as it relates to serving our consumers."*

**Dirk Allison**

**President and CEO**

**Addus HomeCare Corporation (NASDAQ: ADUS)**

on potential minimum wage increases and increasing efficiencies <sup>1</sup>

### Horizontal Integration?

*"[HCA] has a strategy to enhance the clinical complexion of our facilities. And by that, I mean advancing into deeper capabilities. In many markets, we are adding the service lines I'll call horizontally where we bring on new capabilities in cardiovascular care, oncology, pediatrics... [V]ertically, we're deepening those capabilities inside of existing service lines. All intended on being able to keep a patient somewhere in the HCA system if they need deeper care or more complex care."*

**Milton Johnson**

**Chairman and CEO, HCA Holdings, Inc. (NYSE: HCA)**

on company strategy to increase care offerings <sup>3</sup>

### Value-Based Payments

*"...[A]s expected CMS issued a new bundled payment program for heart attacks and bypass surgery. This program defers from the existing CJR bundle and that these patients have chronic conditions with high post discharge readmissions. These are exactly the types of patients that we have the ability to positively impact... We believe there are opportunities to reduce readmissions to the hospitals and also shift patients out of nursing homes in to Home Health... Additionally, CMS has also added hip and femur fractures to the CJR program that took effect in April. Overall, we are excited about these developments which we believe present a large opportunity for Home Health."*

**Paul Kusserow**

**President and CEO**

**AMEDISYS, Inc. (NASDAQ: AMED)**

on opportunities regarding push towards lower-acuity admittance <sup>2</sup>

### Regulators: Sit and Watch

*"I remain very concerned about the rapid rate of consolidation among healthcare providers... Most provider mergers are not anticompetitive, but the few that are could cause significant competitive harm."*

**Edith Ramirez**

**Federal Trade Commission Chairman**

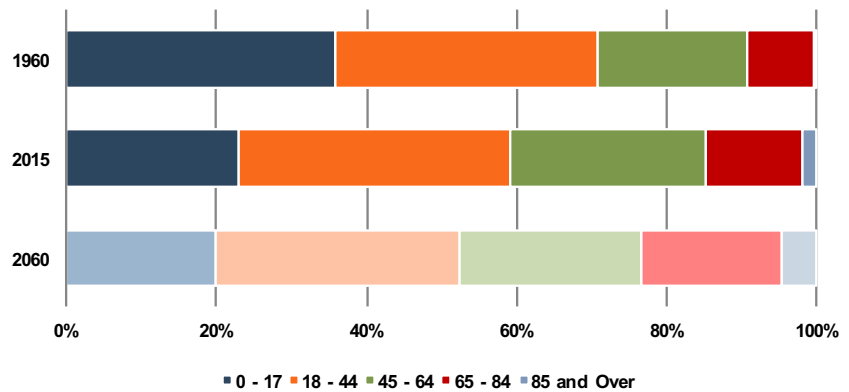
in keynote address at The Antitrust in Healthcare Conference <sup>4</sup>

## 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

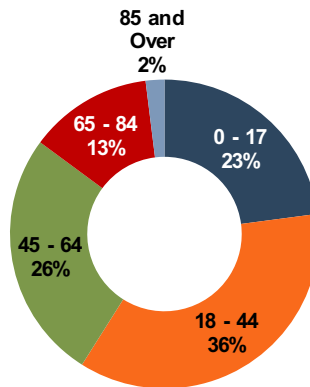


Source: US Census Bureau, 2015

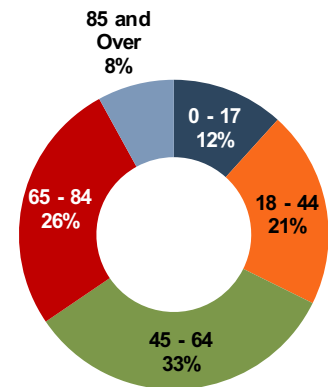
### Demographic Trends II

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>5</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

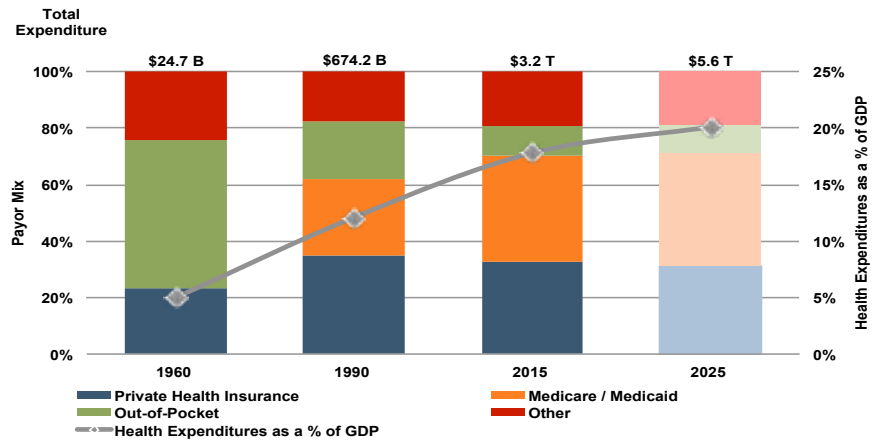
## Macroeconomic Trends (continued)

### 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

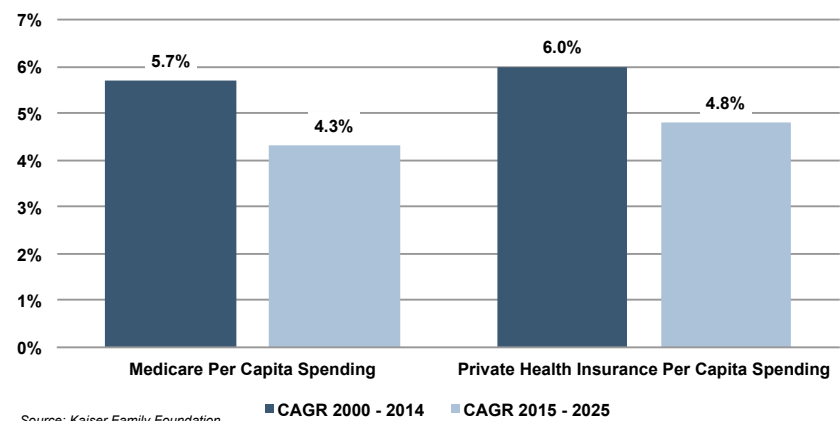


represents the largest portion of total healthcare costs, constituting 20% of total health spending in 2014. Medicare also accounts for 26% of hospital spending, 29% of retail prescription drugs sales, and 23% of physician services.<sup>6</sup>

### 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>7</sup>

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

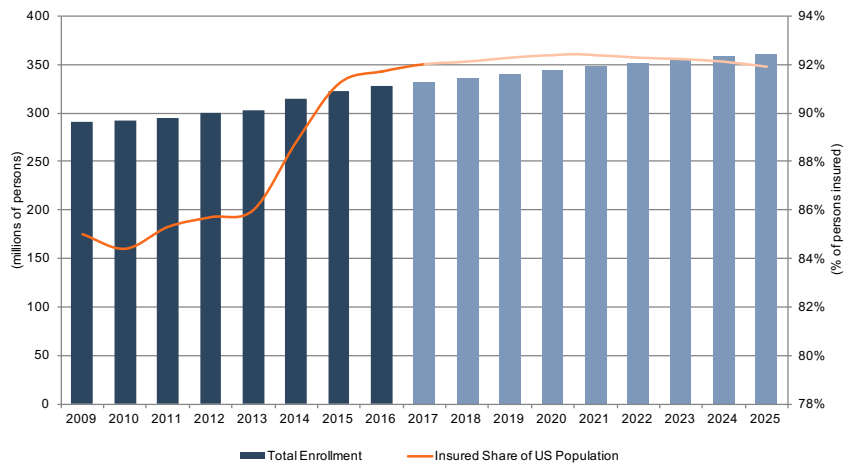


## Macroeconomic Trends (continued)

### 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 2016 year-end.<sup>8</sup>

### Health Insurance Enrollment Totals

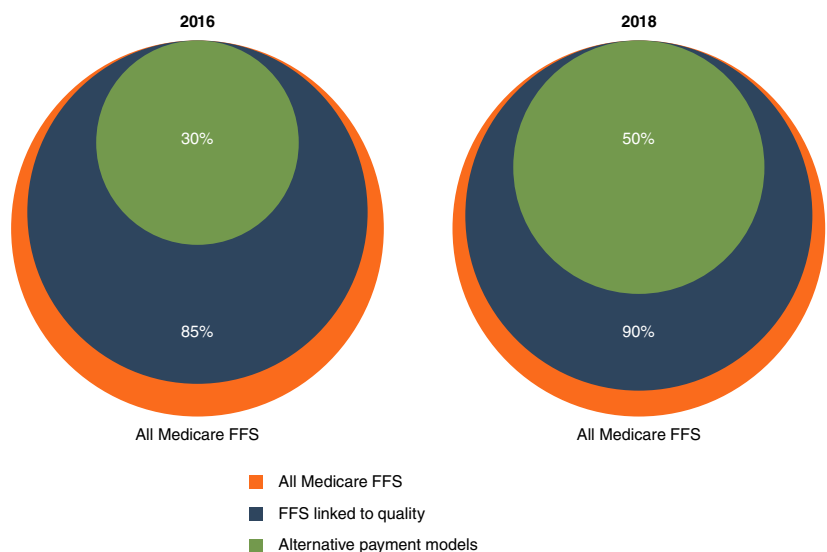


Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group  
Mercer Capital Analysis

### 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>9, 10</sup>

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

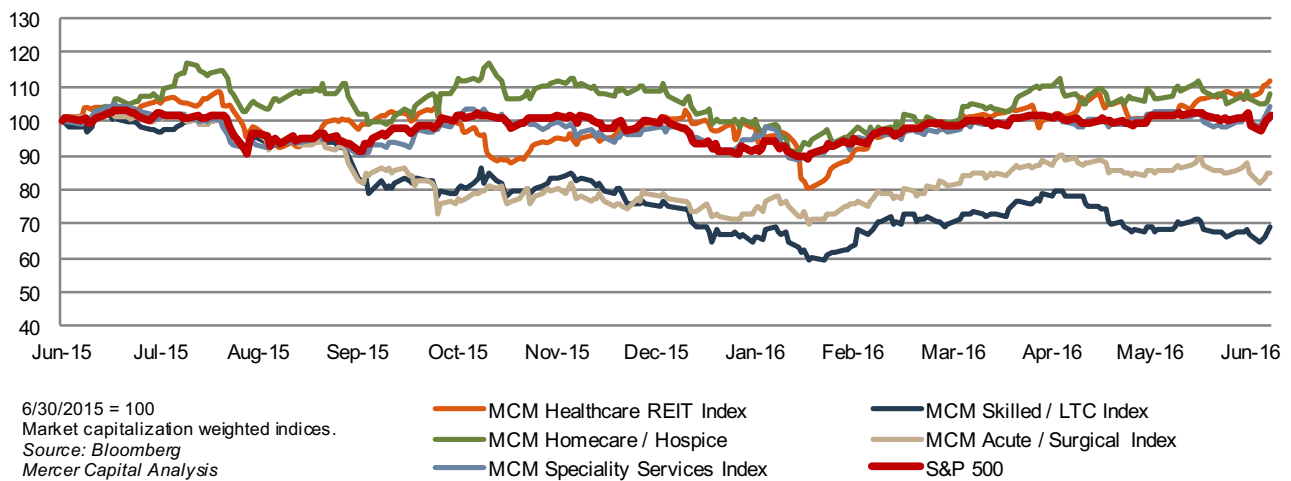


Source: CMS

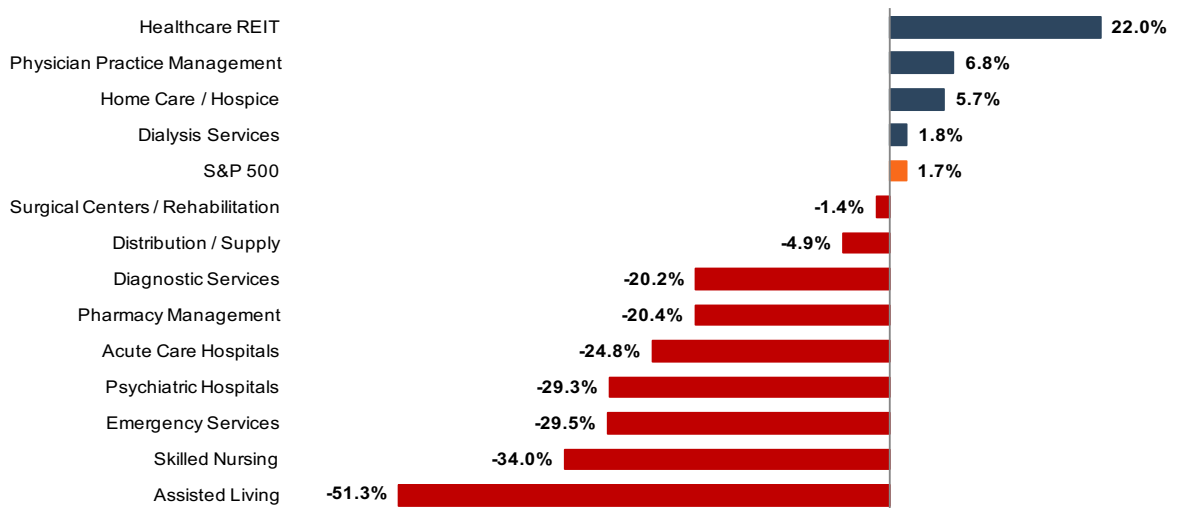
## Valuation Trends

The performance of healthcare facility subsectors was mixed over the trailing twelve month period ended June 30, 2016. Home-care and hospice operators outperformed broader markets, as did Healthcare REITs. The acute care and long-term care sub-sectors lagged over the same period relative to the S&P 500, while Specialty Services (dialysis centers, diagnostic centers) moved in line with general market trends.

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



### Median Stock Price % Change, 1 Year

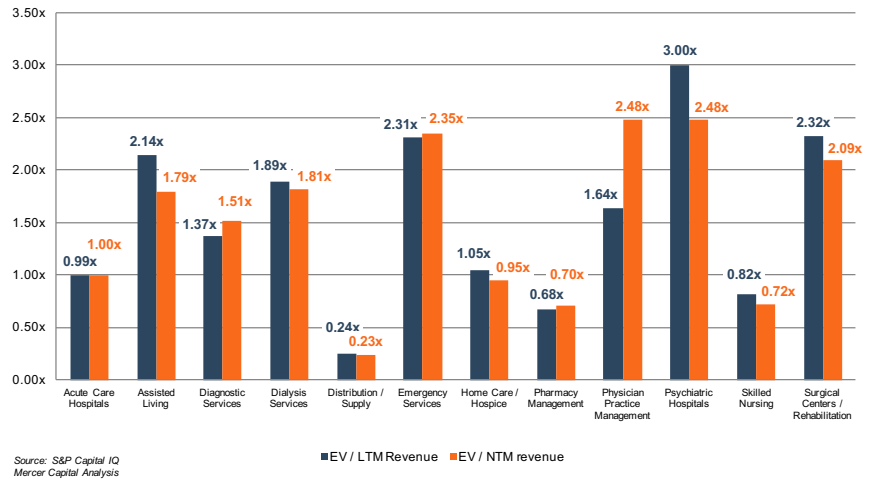


Source: S&P Capital IQ  
Mercer Capital Analysis

## Valuation Trends (continued)

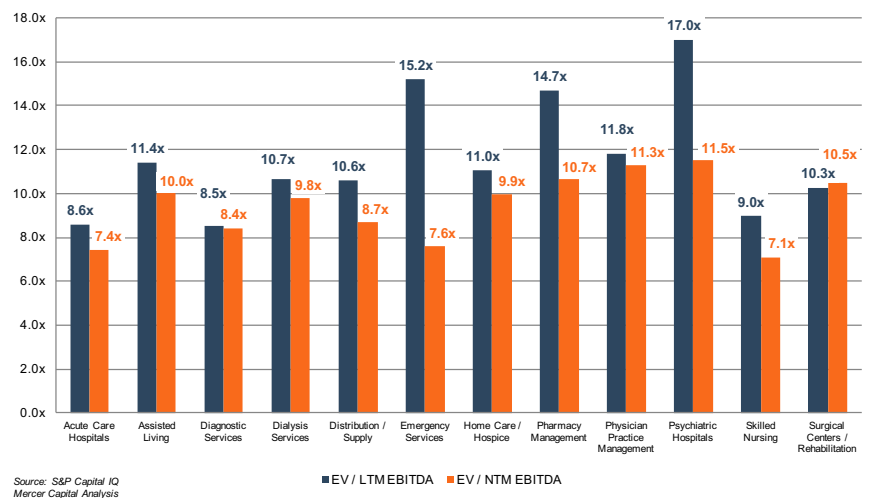
### Revenue Multiples

Excluding healthcare REITs, sub-sectors with the highest LTM revenue multiples at mid-year 2016 were psychiatric hospitals and surgical and rehabilitation centers. 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 June 30, 2016 were psychiatric hospitals and emergency service providers. 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>11,12</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
Envision Healthcare Holdings, Inc.	AmSurg Corp.	6/15/16	NA	7,609.5	10.5x	2.80x
Leonard Green & Partners, L.P.	ExamWorks Group, Inc.	4/26/16	7/27/16	2,005.3	16.7x	2.36x
Yunfeng Capital	iKang Healthcare Group, Inc.	6/6/16	NA	1,866.7	34.1x	5.03x
Universal Health Services Inc.	Valley Health System LLC	4/29/16	NA	1,618.2	NA	NA
Compagnie Industriali Riunite S.p.A.; Fondi Italiani per le Infrastrutture SGR SpA; Secondo Fondo Italiano Per Le Infrastrutture	KOS S.p.A.	3/16/16	5/18/16	739.6	NA	NA
Nanjing Xinjiekou Department Store Co., Ltd.	Shandong Qilu Stem Cells Engineering Co., Ltd.	1/8/16	3/24/16	682.6	NA	12.52x
RegionalCare Hospital Partners, Inc.	Capella Holdings, Inc.	3/21/16	4/29/16	600.0	NA	NA
Shanghai Weituo Investment Center (Limited Partnership)	Ciming Health Checkup Group	4/21/16	4/22/16	583.3	NA	3.78x
Meinian Onehealth Healthcare Holdings Co., Ltd.	Ciming Health Checkup Group	3/1/16	NA	570.4	NA	3.68x
Welltower Inc.; Canada Pension Plan Investment Board; Discovery Senior Living	Aston Care Systems, Inc.	2/18/16	2/18/16	569.0	NA	NA
Shanghai Tianyi Asset Management Co., Ltd.	Ciming Health Checkup Group	11/20/15	11/30/15	549.8	NA	NA
Pinyu Limited	Ample Mighty Limited	4/8/16	NA	543.0	NA	NA
Shenzhen Universe (Group) Co., Ltd.	Shenzhen Yingyitong Technology Co., Ltd	2/15/16	NA	536.2	NA	196.74x
VCA Inc.	CAPNA, Inc.	2/29/16	5/2/16	430.0	NA	NA
Select Medical Corporation	Physiotherapy Associates Holdings, Inc.	1/22/16	3/4/16	414.8	NA	NA
MedData, Inc.	Cardon Outreach, LLC	6/13/16	7/5/16	400.0	NA	NA

Implied Enterprise Value in \$ millions

Source: Capital IQ, Mercer Capital Analysis (only deals with implied enterprise value exceeding \$30 million shown)

## Transactions Summary (continued)

Buyer / Acquirer	Target / Seller	Announce Date	Close Date	Implied Enterprise Value (\$ millions)	Implied Enterprise Value /	
					EBITDA	Revenue
GROUPE MAISONS DE FAMILLE SAS	Amma Gerogestión S.L.	6/27/16	6/30/16	242.0	12.2x	2.27x
NGK Spark Plug Co., Ltd.	Japan Medical Dynamic Marketing, INC.	4/20/16	NA	224.9	9.5x	1.89x
Alita Care, LLC	The Meadows of Wickenburg, Inc.	4/18/16	5/20/16	180.0	NA	NA
Aveo Group	Freedom Aged Care Pty Ltd.	2/17/16	2/18/16	153.7	NA	NA
GN Hearing Care Corporation	Audigy Group, LLC	5/15/16	7/1/16	151.0	NA	NA
Baptist Healthcare System, Inc.	Floyd Memorial Hospital and Health Services Inc.	3/8/16	NA	150.0	NA	NA
Ship Healthcare Holdings, Inc.	Konishi Kyowa Holding Co., Ltd.	3/1/16	4/1/16	149.6	NA	NA
Schumacher Clinical Partners	ECI Healthcare Partners, Inc.	4/22/16	6/2/16	140.0	NA	NA
LifePoint Health, Inc.	Providence Hospitals	2/1/16	2/1/16	132.2	NA	NA
Envision Healthcare Holdings, Inc.	Emergency Physicians Medical Group, PC	3/9/16	4/7/16	120.0	NA	NA
HM Hospitales 1989, S.A.	Clinica Sagrada Familia S.A.	2/5/16	NA	111.4	NA	NA
Nanjing Xinjiekou Department Store Co., Ltd.	Home & Health Care Holding Limited	1/8/16	NA	110.9	NA	35.86x
Zhejiang DIAN Diagnostics Co., Ltd.	Xinjiang Yuanding Medical Instrument Co., Ltd.	1/19/16	NA	106.8	NA	NA
Yihua Healthcare Co., Ltd.	Cherish-Yearn Co., Ltd.	1/19/16	NA	106.4	NA	7.79x
Senior Assist Group	Silverstone SA	1/4/16	1/4/16	105.1	NA	NA
Blue Wolf Capital Partners LLC; Blue Wolf Capital Fund III, L.P.	National Home Health Care Corp.	1/14/16	3/16/16	103.0	NA	NA

Implied Enterprise Value in \$ millions

Source: Capital IQ, Mercer Capital Analysis (only deals with implied enterprise value exceeding \$30 million shown)

## Transactions Summary (continued)

Buyer / Acquirer	Target / Seller	Announce Date	Close Date	Implied Enterprise Value (\$ millions)	Implied Enterprise Value /	
					EBITDA	Revenue
Beihai Gofar Marine Biological Industry Co., Ltd.	Henan Debao Hengsheng Medical Device Co., Ltd.	2/25/16	NA	99.4	NA	1.96x
Harwood Capital LLP; Continental Investment Partners SA	Source BioScience Plc	6/3/16	NA	96.7	13.0x	2.53x
Columbia Medical Center of Plano Subsidiary, L.P.	Forest Park Medical Center at Frisco, LLC	2/9/16	4/4/16	96.3	NA	NA
Médica Sur, SAB de CV	Laboratorio Médico Polanco, S.A. De C.V.	2/16/16	NA	93.0	NA	NA
China National Accord Medicines Corporation Ltd.	Foshan Nanhai Pharmaceutical Group Co. Ltd.	3/9/16	NA	88.5	NA	NA
China National Accord Medicines Corporation Ltd.	Guang Dong South Pharmaceutical Foreign Trade Co., Ltd	3/9/16	NA	86.2	NA	NA
CooperSurgical Inc.	Recombine, Inc.	5/25/16	5/25/16	85.0	NA	4.25x
PAREXEL International Corporation	Health Advances, LLC	1/19/16	2/10/16	83.1	NA	NA
HomeChoice Partners, Inc.	Home Solutions Inc.	6/11/16	NA	75.0	NA	0.69x
Acibadem Saglik Hizmetleri ve Ticaret Anonim Sirketi	Tokushukai-Sofia EOOD	4/20/16	6/8/16	73.4	NA	NA
Echevarne	Clinica Sagrada Familia S.A.	2/29/16	NA	67.1	NA	NA
Modern Dental Group Limited	RTFP Dental Inc.	3/31/16	NA	65.0	NA	0.96x
Navigant Consulting Inc.	McKinnis Consulting Services, LLC	12/31/15	12/31/15	61.8	NA	NA
Chartwell Retirement Residences	Lord Lansdowne Retirement Residence Inc.	4/21/16	NA	53.9	NA	NA
Chartwell Retirement Residences	Duke of Devonshire Retirement Residence	2/29/16	NA	47.0	NA	NA
Avalon Health Care, Inc.	Hale Nani Investors LLC	2/2/16	NA	44.6	NA	NA

Implied Enterprise Value in \$ millions

Source: Capital IQ, Mercer Capital Analysis (only deals with implied enterprise value exceeding \$30 million shown)

## Transactions Summary (continued)

Buyer / Acquirer	Target / Seller	Announce Date	Close Date	Implied Enterprise Value (\$ millions)	Implied Enterprise Value /	
					EBITDA	Revenue
Florida Hospital System, Inc.	Bert Fish Medical Center, Inc. (nka:- Florida Hospital New Smyrna)	4/1/16	4/1/16	40.0	NA	NA
Larkin Community Hospital, Inc.	Palm Springs General Hospital, Inc.	2/1/16	2/1/16	40.0	NA	NA
ExamWorks, Inc.	Advanced Medical Reviews, Inc.	1/19/16	1/19/16	39.8	NA	NA
Fibra UNO	Puerta De Hierro University Hospital	2/29/16	2/29/16	39.1	NA	NA
Acibadem Saglik Hizmetleri ve Ticaret Anonim Sirketi; Clinical Hospital Acibadem Sistina	City Clinic	4/20/16	6/8/16	38.8	NA	NA
Amedisys Inc.	Associated Home Care Inc.	2/5/16	3/1/16	38.1	NA	0.95x
National Health Industries, Inc.	Long Term Solutions, Inc.	1/4/16	1/4/16	36.7	NA	2.29x
Capital Senior Housing	Queen Anne Manor LLC	1/28/16	1/28/16	36.3	NA	NA
Lutheran Senior Services	The Cedars of Town and Country LLC	1/5/16	NA	34.0	NA	NA
China National Accord Medicines Corporation Ltd.	Guangdong Dong Fang Uptodate & Special Medicines Co., Ltd.	3/9/16	NA	32.4	NA	NA
Magellan Health, Inc.	The Management Group, LLC	2/9/16	2/29/16	30.0	NA	NA

Implied Enterprise Value in \$ millions

Source: Capital IQ, Mercer Capital Analysis (only deals with implied enterprise value exceeding \$30 million shown)

## Public Company Pricing

### Acute Care Hospitals

Company Name	Ticker	Price			Δ Stock Price		EV Q2 2016	LTM		EV / Rev. Q2 2016	EV / EBITDA Q2 2016	EV / NTM Rev. Q2 2017	EV / NTM EBITDA Q2 2017
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual		Rev. Q2 2016	EBITDA Q2 2016				
Community Health Systems, Inc.	CYH	\$12.05	\$15.32	\$52.12	-21.3%	-76.9%	\$17,022	\$19,233	\$2,097	0.89x	8.1x	0.97x	6.8x
HCA Holdings, Inc.	HCA	\$77.01	\$78.05	\$90.72	-1.3%	-15.1%	\$62,483	\$40,684	\$7,962	1.54x	7.8x	1.47x	7.4x
LifePoint Health, Inc.	LPNT	\$65.37	\$69.25	\$86.95	-5.6%	-24.8%	\$5,632	\$5,853	\$642	0.96x	8.8x	0.85x	7.1x
Tenet Healthcare Corp.	THC	\$27.64	\$28.93	\$57.88	-4.5%	-52.2%	\$19,494	\$19,630	\$2,276	0.99x	8.6x	1.00x	7.8x
Universal Health Services Inc.	UHS	\$134.10	\$124.63	\$141.65	7.6%	-5.3%	\$16,636	\$9,424	\$1,694	1.77x	9.8x	1.67x	9.2x
<b>Median</b>					<b>-4.5%</b>	<b>-24.8%</b>				<b>0.99x</b>	<b>8.6x</b>	<b>1.00x</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 Q2 2016	LTM		EV / Rev. Q2 2016	EV / EBITDA Q2 2016	EV / NTM Rev. Q2 2017	EV / NTM EBITDA Q2 2017
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual		Rev. Q2 2016	EBITDA Q2 2016				
Brookdale Senior Living Inc.	BKD	\$15.44	\$15.88	\$34.70	-2.8%	-55.5%	\$9,109	\$4,262	\$798	2.14x	11.4x	1.79x	10.0x
Capital Senior Living Corp.	CSU	\$17.67	\$18.52	\$24.50	-4.6%	-27.9%	\$1,354	\$431	\$79	3.14x	17.2x	2.89x	13.3x
Five Star Quality Care Inc.	FVE	\$2.34	\$2.29	\$4.80	2.2%	-51.3%	\$107	\$1,131	\$33	0.09x	3.3x	0.08x	3.3x
<b>Median</b>					<b>-2.8%</b>	<b>-51.3%</b>				<b>2.14x</b>	<b>11.4x</b>	<b>1.79x</b>	<b>10.0x</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
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual		Q2 2016	Q2 2016				
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2017
Alliance Healthcare Services, Inc.	AIQ	\$6.24	\$7.19	\$18.69	-13.2%	-66.6%	\$679	\$494	\$118	1.37x	5.8x	NA	NA
Quest Diagnostics Inc.	DGX	\$81.01	\$70.71	\$70.55	14.6%	14.8%	\$15,181	\$7,498	\$1,475	2.02x	10.3x	2.01x	10.1x
RadNet, Inc.	RDNT	\$5.34	\$4.83	\$6.69	10.6%	-20.2%	\$893	\$859	\$105	1.04x	8.5x	1.00x	6.7x
<b>Median</b>					<b>10.6%</b>	<b>-20.2%</b>				<b>1.37x</b>	<b>8.5x</b>	<b>1.51x</b>	<b>8.4x</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
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual		Q2 2016	Q2 2016				
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2017
DaVita HealthCare Partners Inc.	DVA	\$77.32	\$73.38	\$79.47	5.4%	-2.7%	\$24,540	\$14,347	\$2,540	1.71x	9.7x	1.64x	9.3x
Fresenius Medical Care AG & Co. KGAA	FME	\$86.52	\$87.77	\$81.56	1.1%	6.4%	\$36,658	\$17,635	\$3,143	2.08x	11.7x	1.99x	10.3x
<b>Median</b>					<b>3.2%</b>	<b>1.8%</b>				<b>1.89x</b>	<b>10.7x</b>	<b>1.81x</b>	<b>9.8x</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
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual		Q2 2016	Q2 2016				
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2017
AmerisourceBergen Corporation	ABC	\$79.32	\$86.16	\$104.79	-7.9%	-24.3%	\$19,663	\$144,759	\$1,858	0.14x	10.6x	0.13x	8.7x
Cardinal Health, Inc.	CAH	\$78.01	\$81.46	\$81.99	-4.2%	-4.9%	\$28,734	\$121,546	\$3,075	0.24x	9.3x	0.22x	8.4x
Henry Schein, Inc.	HSIC	\$176.80	\$172.63	\$142.12	2.4%	24.4%	\$15,977	\$11,122	\$958	1.44x	16.7x	1.36x	15.4x
McKesson Corporation	MCK	\$186.65	\$157.01	\$223.42	18.9%	-16.5%	\$47,159	\$193,071	\$4,598	0.24x	10.3x	0.23x	8.7x
Patterson Companies, Inc.	PDCO	\$47.66	\$46.05	\$47.47	3.5%	0.4%	\$5,548	\$5,387	\$444	1.03x	12.5x	0.96x	11.3x
<b>Median</b>					<b>2.4%</b>	<b>-4.9%</b>				<b>0.24x</b>	<b>10.6x</b>	<b>0.23x</b>	<b>8.7x</b>

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

## Public Company Pricing (continued)

## Emergency Services

Company Name	Ticker	Price			Δ Stock Price		EV	LTM			EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual		Q2 2016	Q2 2016	Q2 2016				
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2017	Q2 2017
Adeptus Health Inc.	ADPT	\$51.66	\$55.54	\$94.99	-7.0%	-45.6%	\$1,060	\$407	\$46	2.61x	22.9x	2.86x	8.6x	
Air Methods Corp.	AIRM	\$35.83	\$36.22	\$41.34	-1.1%	-13.3%	\$2,304	\$1,146	\$310	2.01x	7.4x	1.84x	6.6x	
<b>Median</b>					<b>-4.0%</b>	<b>-29.5%</b>				<b>2.31x</b>	<b>15.2x</b>	<b>2.35x</b>	<b>7.6x</b>	

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

## Home Care / Hospice

Company Name	Ticker	Price			Δ Stock Price		EV	LTM			EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual		Q2 2016	Q2 2016	Q2 2016				
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2017	Q2 2017
Addus HomeCare Corporation	ADUS	\$17.43	\$17.19	\$27.86	1.4%	-37.4%	\$232	\$363	\$24	0.64x	9.6x	0.57x	7.5x	
Almost Family Inc.	AFAM	\$42.61	\$37.24	\$39.91	14.4%	6.8%	\$584	\$558	\$43	1.05x	13.7x	0.92x	10.8x	
Amedisys Inc.	AMED	\$50.48	\$48.34	\$39.73	4.4%	27.1%	\$1,772	\$1,358	\$83	1.31x	21.3x	1.23x	13.5x	
Chemed Corp.	CHE	\$136.06	\$134.95	\$129.95	0.8%	4.7%	\$2,387	\$1,566	\$217	1.52x	11.0x	1.49x	9.9x	
LHC Group, Inc.	LHCG	\$43.28	\$35.56	\$38.25	21.7%	13.2%	\$892	\$854	\$80	1.04x	11.1x	0.98x	10.0x	
Providence Service Corp.	PRSC	\$44.88	\$51.07	\$44.28	-12.1%	1.4%	\$975	\$1,741	\$108	0.56x	9.0x	0.54x	8.0x	
<b>Median</b>					<b>2.9%</b>	<b>5.7%</b>				<b>1.05x</b>	<b>11.0x</b>	<b>0.95x</b>	<b>9.9x</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
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual		Q2 2016	Q2 2016	Q2 2016				
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2017	Q2 2017
BioScrip, Inc.	BIOS	\$2.55	\$2.14	\$3.63	19.2%	-29.8%	\$706	\$962	\$27	0.73x	26.3x	0.80x	14.1x	
Express Scripts Holding Company	ESRX	\$75.80	\$68.69	\$88.94	10.4%	-14.8%	\$62,633	\$101,412	\$6,748	0.62x	9.3x	0.61x	8.5x	
Omniceil, Inc.	OMCL	\$34.23	\$27.87	\$37.71	22.8%	-9.2%	\$1,414	\$599	\$70	2.36x	20.1x	1.95x	12.8x	
PharMerica Corporation	PMC	\$24.66	\$22.11	\$33.30	11.5%	-25.9%	\$1,142	\$2,064	\$131	0.55x	8.7x	0.53x	8.3x	
<b>Median</b>					<b>15.3%</b>	<b>-20.4%</b>				<b>0.68x</b>	<b>14.7x</b>	<b>0.70x</b>	<b>10.7x</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
		Q2 2016	Q1 2016	Q2 2015	Qrtly		Annual	Q2 2016	Q2 2016				
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2017	Q2 2017
Birner Dental Management Services Inc.	BDMS	\$14.50	\$9.57	\$12.52	51.5%	15.8%	\$38	\$64	\$3	0.59x	11.2x	NA	NA
MEDNAX, Inc.	MD	\$72.43	\$64.62	\$74.11	12.1%	-2.3%	\$8,042	\$2,988	\$649	2.69x	12.4x	2.48x	11.3x
<b>Median</b>					<b>31.8%</b>	<b>6.8%</b>				<b>1.64x</b>	<b>11.8x</b>	<b>2.48x</b>	<b>11.3x</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
		Q2 2016	Q1 2016	Q2 2015	Qrtly		Annual	Q2 2016	Q2 2016				
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2017	Q2 2017
AAC Holdings, Inc.	AAC	\$22.82	\$19.79	\$43.56	15.3%	-47.6%	\$695	\$232	\$26	3.00x	27.1x	2.48x	11.5x
Acadia Healthcare Company, Inc.	ACHC	\$55.40	\$55.11	\$78.33	0.5%	-29.3%	\$8,477	\$2,348	\$498	3.61x	17.0x	2.74x	12.2x
Magellan Health, Inc.	MGLN	\$65.77	\$67.93	\$70.07	-3.2%	-6.1%	\$1,864	\$4,740	\$209	0.39x	8.9x	0.39x	6.9x
<b>Median</b>					<b>0.5%</b>	<b>-29.3%</b>				<b>3.00x</b>	<b>17.0x</b>	<b>2.48x</b>	<b>11.5x</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
		Q2 2016	Q1 2016	Q2 2015	Qrtly		Annual	Q2 2016	Q2 2016				
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2016	Q2 2017	Q2 2017
Diversicare Healthcare Services Inc.	DVCR	\$8.30	\$8.44	\$12.57	-1.7%	-34.0%	\$114	\$390	\$23	0.29x	4.9x	NA	NA
Genesis Healthcare, Inc.	GEN	\$1.77	\$2.32	\$6.60	-23.7%	-73.2%	\$5,143	\$5,656	\$535	0.91x	9.6x	0.91x	23.7x
The Ensign Group, Inc.	ENSG	\$21.01	\$22.59	\$25.35	-7.0%	-17.1%	\$1,242	\$1,518	\$123	0.82x	10.1x	0.72x	7.1x
Kindred Healthcare Inc.	KND	\$11.29	\$12.23	\$19.58	-7.7%	-42.3%	\$4,230	\$7,226	\$571	0.59x	7.4x	0.58x	4.3x
National HealthCare Corporation	NHC	\$64.74	\$61.86	\$63.29	4.7%	2.3%	\$961	\$917	\$107	1.05x	9.0x	NA	NA
<b>Median</b>					<b>-7.0%</b>	<b>-34.0%</b>				<b>0.82x</b>	<b>9.0x</b>	<b>0.72x</b>	<b>7.1x</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 Q2 2016	LTM		EV / Rev. Q2 2016	EV / EBITDA Q2 2016	EV / NTM Rev. Q2 2017	EV / NTM EBITDA Q2 2017
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual		Rev.	EBITDA				
								Q2 2016	Q2 2016				
AmSurg Corp.	AMSG	\$77.54	\$74.60	\$69.95	3.9%	10.9%	\$7,549	\$2,838	\$718	2.66x	10.5x	2.36x	12.4x
HEALTHSOUTH Corp.	HLS	\$38.82	\$37.40	\$44.92	3.8%	-13.6%	\$6,807	\$3,432	\$784	1.98x	8.7x	1.82x	8.5x
Surgical Care Affiliates, Inc.	SCAI	\$47.67	\$46.28	\$38.38	3.0%	24.2%	\$3,325	\$1,124	\$266	2.96x	12.5x	2.65x	16.3x
Select Medical Holdings Corporation	SEM	\$10.87	\$11.81	\$16.20	-8.0%	-32.9%	\$4,399	\$4,178	\$438	1.05x	10.0x	1.00x	8.2x
<b>Median</b>					<b>3.4%</b>	<b>-1.4%</b>				<b>2.32x</b>	<b>10.3x</b>	<b>2.09x</b>	<b>10.5x</b>

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

## Healthcare REIT

Company Name	Ticker	Price			Δ Stock Price		EV Q2 2016	LTM		EV / Rev. Q2 2016	EV / EBITDA Q2 2016	EV / NTM Rev. Q2 2017	EV / NTM EBITDA Q2 2017
		Q2 2016	Q1 2016	Q2 2015	Qrtly	Annual		Rev.	EBITDA				
								Q2 2016	Q2 2016				
Care Capital Properties, Inc.	CCP	\$26.21	\$26.28	\$0.00	-0.3%	0.0%	\$3,637	\$340	\$299	10.70x	12.2x	10.77x	12.3x
Welltower Inc.	HCN	\$75.33	\$67.77	\$61.72	11.1%	22.0%	\$41,575	\$4,036	\$2,067	10.30x	20.1x	9.73x	18.5x
HCP, Inc.	HCP	\$34.86	\$31.58	\$33.75	10.4%	3.3%	\$27,568	\$2,629	\$1,811	10.49x	15.2x	11.83x	16.3x
Healthcare Realty Trust Incorporated	HR	\$34.99	\$30.59	\$22.25	14.4%	57.3%	\$5,417	\$398	\$226	13.62x	24.0x	13.09x	22.7x
LTC Properties Inc.	LTC	\$51.55	\$44.57	\$39.49	15.7%	30.5%	\$2,562	\$152	\$134	16.90x	19.1x	16.48x	17.2x
Omega Healthcare Investors Inc.	OHI	\$33.36	\$34.10	\$31.57	-2.2%	5.7%	\$10,875	\$854	\$818	12.73x	13.3x	14.93x	13.5x
Ventas, Inc.	VTR	\$72.82	\$62.27	\$51.69	16.9%	40.9%	\$35,744	\$3,369	\$1,752	10.61x	20.4x	10.37x	18.9x
<b>Median</b>					<b>11.1%</b>	<b>22.0%</b>				<b>10.70x</b>	<b>19.1x</b>	<b>11.83x</b>	<b>17.2x</b>

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

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# Mercer Capital

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