

GF DATA®

HEALTH CARE SERVICES DRILLDOWN

The most reliable data on private M&A transactions in the \$10-250 million value range.

OCT
2019

SERVING THE
MIDDLE MARKET
SINCE 2006

CHART 1

VALUATION DRILLDOWN (ALL HEALTH CARE SERVICES)

2013-2019 YTD—TEV/EBITDA

TEV	ALL	Buyouts Only						Post-Closing Mgt.	ALL THREE*
		Buyouts Only	Platforms	Add-Ons	Indiv/ Family Seller	PEG/ Corp Seller	Above Average		
10-25	6.8	6.7	6.2	6.8	6.7	6.8	6.8	6.7	6.8
25-50	7.6	7.4	7.2	7.6	7.2	7.2	7.4	7.2	7.6
50-100	9.1	9.1	8.6	9.1	8.6	8.6	9.1	8.8	9.1
100-250	9.1	9.1	8.1	9.6	8.1	8.1	9.1	9.1	9.1
Total	7.8	7.7	7.8	8.6	7.2	8.1	7.8	7.8	7.7
N =	198	198	85	28	78	28	78	27	85

Note: ALL THREE in the rightmost column denotes buyouts featuring above-average financial characteristics, a post-closing management solution and a private equity/corporate seller.

To recap GF Data's "belt and suspenders" approach to industry classification, each deal is placed in a major business category (e.g., Health Care Services (HCS)) and then tagged with a six-digit NAICS industry code (e.g., 621491 – HMO Medical Centers). Most of the charts herein, including the valuation drilldown, focus on deals in the Health Care Services major business category. We then provide industry detail in selected NAICS groupings. Please note that the latter will not be perfect subsets of the former.

- Chart 1 disaggregates how valuation is driven by a variety of factors. The subset is Health Care Services deals completed in 2013-2019 YTD. Of 114 completed transactions, 100 were buyouts.
- As in the market generally, sellers of HCS businesses are being doubly rewarded for size. First, there continues to be a valuation differential based on size itself. Then, in the \$100-250 million TEV tier, where these businesses offer other factors known to drive premium pricing (e.g., above average financial characteristics, provision of a management solution post-close, institutional ownership prior to sale), they receive additional recognition beyond what is accorded to smaller businesses.
- Charts 2 and 3 show valuation by year among all HCS deals, and then among those in buyout transactions only. Deal pricing overall has remained at elevated levels. Quarterly deviations in the TEV strata are due to a mix of transactions completed, rather than broader secular shifts. While HCS businesses overall remain in favor, some industry groups are particularly favored. For example, deals involving physician practices (NAICS 6211) have traded at an average 9.1x in 2018 and 2019 year to date.
- Charts 4-6 provide valuation detail drawn from our continuously available on-line searchable data base. They cover three of the more populous four-digit NAICS groupings within Health Care Services – Physicians' Offices (6211); Outpatient Care Centers (6214); and Health Care Services (6216).



GF Data® is a registered trademark of GF Data Resources LLC. Use and transmission of information are governed by Disclaimer and Terms of Use on page 6.

For information on subscribing, or on contributing data as a private equity participant, contact us at info@gfdata.com.

The GF Data Health Care Services Drilldown is one of four industry reports that is interspersed with our regular offerings. The annual rotation comprises: Manufacturing, Distribution, Health Care Services and Business Services.

GF Data provides data on private equity-sponsored M&A transactions with enterprise values of \$10 to 250 million. We collect transaction information from private equity groups and other deal sponsors on a blind and confidential basis. Private equity contributors and other subscribers receive our quarterly M&A and leverage reports, as well as our semi-annual supplement on key deal terms.

Our on-line searchable data base, with valuation comps organized by NAICS code, is often heavily used by some but not all professionals in a given firm. These drilldown reports enable that detail to reach more of our users, and not just those charged with searching on-line.

For information on subscribing, or on contributing data as a private equity participant, contact us at info@gfdata.com.

CHART 2

TOTAL ENTERPRISE VALUE/EBITDA (ALL HEALTH CARE SERVICES)

TEV	2003-14	2015	2016	2017	2018-19 YTD	Total	N =
10-25	6.8	6.7	6.8	7.2	6.7	6.7	198
25-50	7.6	7.4	7.2	7.6	7.4	7.4	85
50-100	9.1	9.1	8.6	9.1	9.1	9.1	78
100-250	9.1	9.1	8.1	9.6	9.1	9.1	28
Total	7.8	7.7	7.8	8.1	7.8	7.8	298
N =	198	28	28	28	85		298

Please note that N for 2003-2014 encompasses twelve years of activity.

CHART 3

TOTAL ENTERPRISE VALUE/EBITDA (HEALTH CARE SERVICES BUYOUTS)

TEV	2003-14	2015	2016	2017	2018-19 YTD	Total	N =
10-25	6.8	6.7	6.8	7.2	6.7	6.7	85
25-50	7.6	7.4	7.2	7.6	7.4	7.4	78
50-100	9.1	9.1	8.6	9.1	9.1	9.1	28
100-250	9.1	9.1	8.1	9.6	9.1	9.1	28
Total	7.8	7.7	7.8	8.1	7.8	7.8	298
N =	198	28	28	28	85		298

Please note that N for 2003-2014 encompasses twelve years of activity.

HEALTH CARE SERVICES DRILLDOWN

CHART 4

PHYSICIANS OFFICES (NAICS CODE: 6211)

2003-2019 YTD

TEV	TEV (\$)	Revenue (\$)	% Rev Growth (TTM)	EBITDA Margin (%)	TEV/Revenue	TEV/EBITDA	N	Std Dev
10-25	10.8	10.7	11.2%	21.7%	1.1	6.2	4	1.6
25-50	38.1	38.0	11.0%	20.7%	1.1	7.6	4	2.2
50-250	92.9	74.6	11.4%	18.9%	1.9	10.0	10	1.6
Total	141.8	123.3	10.9%	20.5%	1.7	8.6	18	2.2

Note: NAICS 6211 encompasses deals identified by acquirers as being in health care services, as well as other industry categories. Revenue and margin data for the trailing twelve month (TTM) period prior to closing.

GF SOURCE: GF DATA®

CHART 5

OUTPATIENT CARE CENTERS (NAICS CODE: 6214)

2003-2019 YTD

TEV	TEV (\$)	Revenue (\$)	% Rev Growth (TTM)	EBITDA Margin (%)	TEV/Revenue	TEV/EBITDA	N	Std Dev
10-25	18.7	18.7	16.7%	27.4%	1.1	5.5	4	0.8
25-50	49.4	33.9	16.7%	25.4%	1.1	6.1	7	1.4
50-250	76.0	55.8	16.4%	18.1%	1.9	7.6	10	2.1
Total	144.1	108.4	16.5%	23.7%	1.3	7.6	21	2.1

Note: NAICS 6214 encompasses deals identified by acquirers as being in health care services, as well as other industry categories. Revenue and margin data for the trailing twelve month (TTM) period prior to closing.

GF SOURCE: GF DATA®

CHART 6

HOME HEALTH CARE SERVICES (NAICS CODE: 6216)

2003-2019 YTD

TEV	TEV (\$)	Revenue (\$)	% Rev Growth (TTM)	EBITDA Margin (%)	TEV/Revenue	TEV/EBITDA	N	Std Dev
10-25	16.2	16.9	17.7%	28.4%	1.1	5.9	16	2.4
25-50	31.7	40.8	18.0%	18.8%	0.9	7.2	7	2.7
50-250	86.1	76.3	11.4%	16.2%	1.9	7.6	10	6.5
Total	134.0	134.0	15.7%	21.1%	1.4	6.6	33	3.1

Note: NAICS 6216 encompasses deals identified by acquirers as being in health care services, as well as other industry categories. Revenue and margin data for the trailing twelve month (TTM) period prior to closing.

GF SOURCE: GF DATA®

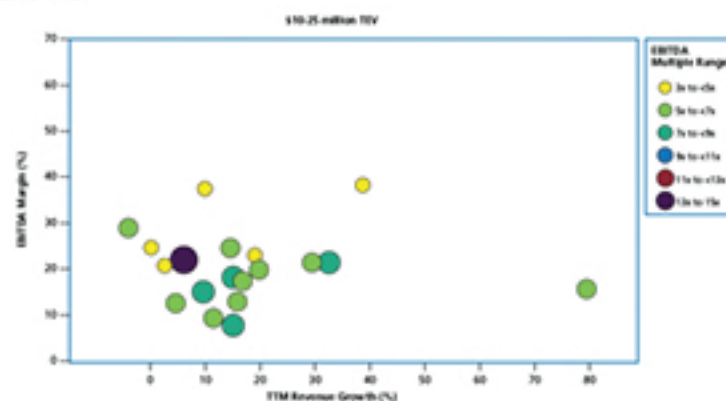
HEALTH CARE SERVICES DRILLDOWN

CHART 7

EBITDA MARGIN, REVENUE GROWTH, AND TEV/EBITDA

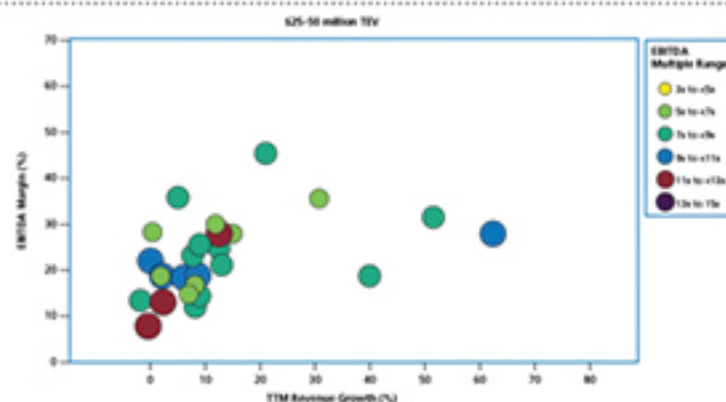
(HEALTH CARE SERVICES BUSINESS CATEGORY)

2017-2019 YTD



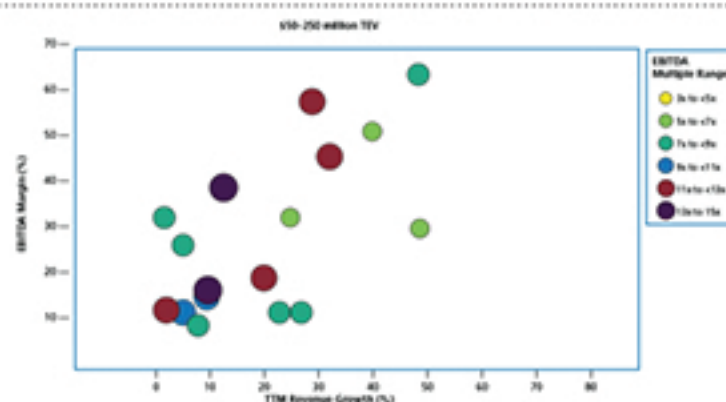
SOURCE: GF DATA®

CHART 8



SOURCE: GF DATA®

CHART 9



SOURCE: GF DATA®

Most but not all of the deals that acquirers place in health care services fall in one NAICS grouping at the three-digit level—Ambulatory Health Care Services (621).

As noted on the back page of the report, our on-line searchable data base provides valuation detail in every four digit sub-category.

We use the broader Health Care Services business category, though, to once again focus on the imperfect relationship between high-level financial characteristics and valuation.

The heat maps in charts 7-9 show the extent to which larger deals command fuller valuations—and the extent to which above-par EBITDA margins and revenue growth drive premium pricing more predictably within that cohort.

GF Data defines better financial performers as businesses with TTM EBITDA margins and revenue both above 10 percent or one above 12 percent and the other metric at least 8 percent. Outliers on the high side are excluded.

Charts 10 and 11 show average equity contribution for health care services deals versus the total GF Data universe. Acquirers in this category consistently are required to contribute a few percentage points more to equity than is average overall—a function of above-average valuations and slightly below average debt utilization.

Charts 12 and 13 set forth the debt data for the sector. Health care deals have been full participants in the debt-driven seller's market, though—as noted above — at aggregate debt loads slightly below those for more asset-intensive sectors.

Charts 14 and 15, drawn from our key deal terms report, provide general indemnification caps against breaches in reps and warranties. The average cap on all HCS deals in 2018/19 1H was 15.4%. This breaks down into 8.3% on deals w rep and warranty insurance and 21.3% on deals without.

GF Data is providing industry drilldowns interspersed with our more comprehensive reports on this schedule in 2018:

- April: Manufacturing
- June: Distribution
- October: Health Care Services
- December: Business Services

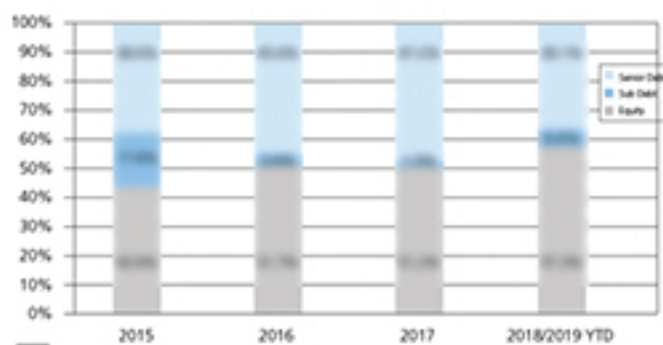
Subscribers will receive information on how these reports can be integrated into their GF Data packages as subscriptions come up for renewal.

For more information, please contact Bob Wegbreit at bw@gfdata.com.

HEALTH CARE SERVICES DRILLDOWN

CHART 10

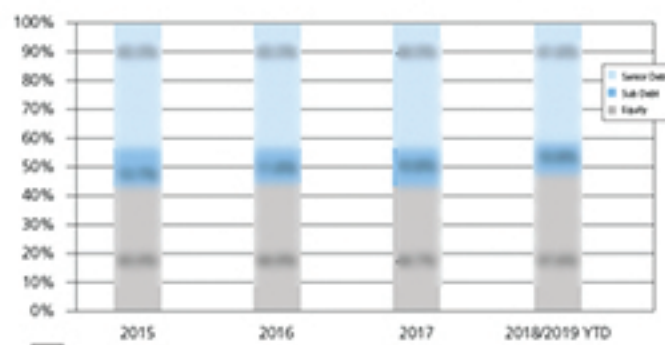
EQUITY AND DEBT CONTRIBUTION (HEALTH CARE SERVICES)



GF SOURCE: GF DATA®

CHART 11

EQUITY AND DEBT CONTRIBUTION (ALL DEALS)



GF SOURCE: GF DATA®

CHART 12

TOTAL DEBT/EBITDA (HEALTH CARE SERVICES)

TEV	2003-2014	2015	2016	2017	2018-2019 YTD	Total	N =
10-25	5.5	5.5	5.5	5.5	5.5	5.5	85
25-50	5.5	5.7	6.7	5.6	5.8	5.7	88
50-100	5.5	6.8	6.8	5.5	5.6	5.7	88
100-250	5.8	6.9	6.2	5.5	5.5	6.0	27
Total	5.5	6.2	5.8	5.5	5.5	5.5	
N =	158	25	25	25	25	25	258

Note: Deals with no debt are eliminated from leverage data, as are significant outliers. Please note that N for 2003-2014 encompasses twelve years of activity.

GF SOURCE: GF DATA®

CHART 13

TOTAL DEBT/EBITDA (ALL DEALS)

TEV	2003-2014	2015	2016	2017	2018-2019 YTD	Total	N =
10-25	5.5	5.5	5.5	5.5	5.7	5.5	1075
25-50	5.5	5.7	5.7	5.5	5.8	5.7	888
50-100	5.5	6.2	6.2	6.2	6.2	5.8	495
100-250	6.1	6.8	6.8	6.8	6.8	6.6	102
Total	5.5	6.0	5.7	6.2	6.0	5.8	
N =	1000	258	257	258	258	258	2000

Note: Deals with no debt are eliminated from leverage data, as are significant outliers. Please note that N for 2003-2014 encompasses twelve years of activity.

GF SOURCE: GF DATA®

CHART 14

INDEMNIFICATION CAP (HEALTH CARE SERVICES)

% OF TOTAL ENTERPRISE VALUE

TEV	2015	2016	2017	2018-2019 YTD	Total	N =
10-25	18.2%	18.7%	12.2%	18.4%	18.2%	85
25-50	8.4%	12.8%	18.4%	11.2%	12.2%	88
50-250	6.4%	11.2%	5.4%	7.8%	8.2%	27
Total	18.2%	18.4%	18.2%	18.2%	18.2%	
N =	25	25	25	25	25	25

GF SOURCE: GF DATA®

CHART 15

INDEMNIFICATION CAP (ALL DEALS)

% OF TOTAL ENTERPRISE VALUE

TEV	2015	2016	2017	2018-2019 YTD	Total	N =
10-25	18.2%	18.2%	18.2%	18.2%	18.2%	1075
25-50	11.4%	12.2%	12.2%	12.4%	12.2%	888
50-250	10.4%	12.4%	7.4%	6.4%	9.4%	495
Total	18.2%	18.2%	18.2%	18.2%	18.2%	
N =	258	258	258	258	258	258

GF SOURCE: GF DATA®

HEALTH CARE SERVICES DRILLDOWN

On-point valuation comps organized by NAICS industry code are available on line at www.gfdata.com.

We provide detailed valuation data organized by major business category and/or NAICS code. You can organize your search by TEV or by year. GF Data reports at the finest level of industry detail at which there are at least three data points.

HEALTH CARE SERVICES

524	Insurance Carriers and Rel. Activities
5241**	Insurance Carriers
5242**	Agencies, Brokers and Other Ins. Related Activities
821	Ambulatory Health Care Services
8211**	Physicians Offices
8212**	Dentists Offices
8213**	Hlth Care Practitners (excl. Physicians or Dentists)
8214**	Outpatient Care Centers
8215**	Medical and Diagnostic Laboratories
8216**	Home Health Care Services
8219**	Ambulance and Other Ambulatory Svcs.
824	Social Assistance

DISCLAIMER AND TERMS OF USE

Please note that for private equity groups that have supplied information to GF Data Resources LLC (GF Data®) to enable GF Data to prepare this report, your use of this report is subject to the Terms of Use to which you have agreed. Use by paid subscribers is similarly governed by the Terms of Use you have entered into. All other recipients of this report may use it only for purposes of evaluating their firms' participation in or subscription to GF Data. Since the information GF Data uses to compile this report is supplied by third-party private equity firms that are not affiliated with GF Data, GF Data cannot warrant the accuracy of such information, and GF Data is not responsible for any errors contained in such information. While GF Data believes that this report can be a valuable resource, it should be used in conjunction with other resources and not as a sole source in making decisions and recommendations. GF Data® is a registered trademark of GF Data Resources LLC.

GF Data Resources LLC
2176 Harts Lane
Conshohocken, PA 19428

Phone: 610-616-4607

Andrew T. Greenberg
atg@gfdata.com

B. Graeme Frazier, IV
bgf@gfdata.com

Bob Wegbreit
bw@gfdata.com

Susan Guthrie
sg@gfdata.com