

HEALTHCARE

THRID QUARTER

2017

The Healthcare Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Healthcare category. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Healthcare M&A

Q2 M&A activity for North American based Healthcare companies included 152 closed deals, according to data published by industry data tracker *FactSet Research* with an average disclosed transaction value of \$142 million.

One of the largest deals of the quarter closed in May when Sawai Pharmaceutical Co. Ltd. acquired Upsher-Smith Laboratories, Inc. from ACOVA, Inc., for US\$1.1 Billion in cash. Sawai Pharmaceutical Co. engages in the manufacture and sale of prescription pharmaceutical products that include cardiovascular drugs, antihyperlipidemic agents, diabetes, anticancer drugs and over-the-counter drugs. Upsher-Smith Laboratories manufactures generic pharmaceuticals.

Industry Indicators

- US consumer prices for medical care services, an indicator of profitability for healthcare services, rose 2.5% in May 2017 compared to the same month in 2016.
- Total US revenue for healthcare and social assistance rose 6.1% in the first quarter of 2017 compared to the previous year.

Industry Update

As congress continues to battle it out over healthcare reform, the Congressional Budget Office published its projected budgetary impact of the proposed American Health Care Act (AHCA). The debate continues as expected given contradictory estimates published by other sources and research institutions as to potential costs and savings from revisions to the current Patient Protection and Accountable Care ACT (PPACA).

Healthcare providers face potential changes in patients' ability to pay if certain Affordable Care Act provisions are changed or abolished. Industry leaders are pushing for bipartisan efforts to address shortcomings in the system and keep patients at the center of reform efforts.



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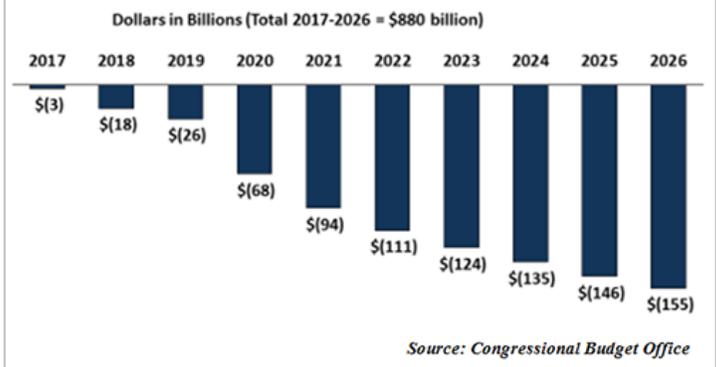
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CBO Estimates for American Health Care Act for Medicaid



Following the failure of the proposed AHCA, leading representatives of health care providers remain wary of future administrative actions that could impact the industry. The American Hospital Association and the American Medical Association opposed the proposed bill, which would have replaced the Affordable Care Act, and are now pushing for bipartisan efforts to ensure that future reforms address shortcomings in the current system, according to *FierceHealthcare*.

The AHCA would have cut Medicaid funding and subsidies for low-income individuals to purchase health plans on exchanges, leaving hospitals with a larger financial burden from uninsured patients unable to pay bills, according to *The Wall Street Journal*. Other potential changes to the Affordable Care Act, such as eliminating the tax penalty for not having insurance or adding work requirements for Medicaid recipients, could have a major impact on health care providers.

| Selected Q3 Closed Transactions | |
|----------------------------------------------------|----------------------------------|
| Target/Issuer | Buyers/Investors |
| BarioSurg, Inc. | EnteroMedics, Inc. |
| Brookdale Senior Living, Inc. /5 Living Facilities | The Ensign Group, Inc. |
| Cipher Pharmaceuticals US LLC | EPI Health LLC |
| CityMD | Warburg Pincus LLC |
| Nuelle, Inc. | Aytu BioScience, Inc. |
| Strategic Veterinary Pharmaceuticals, Inc. | Kindred Biosciences, Inc. |
| Tecomet, Inc. | Charlesbank Capital Partners LLC |
| Wound Care Technologies, Inc. | Baxter International, Inc. |

Transactional Overview

Notable closed lower middle market transactions for the period in the Healthcare sector include:

May 2017 - Aytu BioScience, Inc. acquired Nuelle, Inc., formerly known as ExploraMed NC6 Inc., a portfolio company of New Enterprise Associates LLC, Shanghai Bioveda Investment Management Consulting Co Ltd, Correlation Management LLC and Windham Venture Partners, for \$25.7 Million in stock and contingent payments. Aytu BioScience is a specialty pharmaceutical company, which focuses on developing and commercialization of novel products for urology, with a focus on products addressing vitality, sexual wellness and reproductive health. Nuelle designs and manufactures medical devices for women's health.

May 2017 - Diplomat Pharmacy, Inc. acquired WRB Communications, Inc. for \$30 Million in cash, stock and contingent payments. Diplomat Pharmacy operates as an independent specialty pharmacy in the United States. The firm stocks, dispenses and distributes prescriptions for various biotechnology and specialty pharmaceutical manufacturers. WRB Communications operates as a healthcare service center. The firm offers inside sales, tele-detailing, customer care, technical support, medical information, drug safety, patient compliance, adherence and reimbursement services.

May 2017 - LivaNova Plc acquired remaining 51% stake in Caisson Interventional LLC for \$72 Million with an undisclosed amount in contingent payments. LivaNova is a global medical technology company specializing in the areas of Cardiac Surgery, Neuromodulation and Cardiac Rhythm Management. Caisson Interventional provides clinical stage medical.

Collectively, the Healthcare Practice Group provides M&A advice to public and private companies in all sectors of the healthcare industries, including healthcare information technology, medical devices, pharma, surgical equipment and supplies, biotechnology, assisted living and long term care.

