

HEALTHCARE

FIRST QUARTER

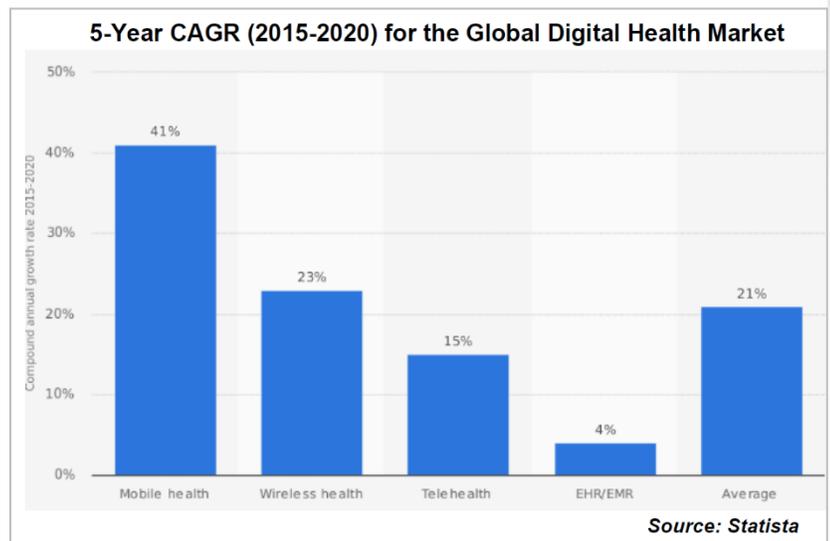
2020

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

There were 189 completed North American-based Healthcare M&A deals in Q4 2019, according to *FactSet Research Systems*.

A notable middle-market transaction announced in Q4 was Charles River Laboratories International, Inc.'s [NYSE: CRL] acquisition of HemaCare Corporation [OTCMKTS: HEMA] for approximately \$380 million in cash. The acquisition expands Charles River's scientific capabilities in the emerging, high-growth cell therapy sector, creating a comprehensive cell therapy solution that can help developers and manufacturers advance their critical programs from discovery through commercialization.



Healthcare continues to evolve toward technology as digital healthcare including EHRs and mobile health applications gain ground.

Transactional Overview

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

November 2019 - Amedisys, Inc. [NASDAQ: AMED] acquired Hospice Holdings DFW LLC (D.B.A. Asana Hospice), for \$64.5 million. Amedisys is a leader in healthcare at home and delivers personalized home health, hospice and personal care. This acquisition adds eight locations to Amedisys' hospice network.

October 2019 - ICON, PLC [NASDAQ: ICLR] acquired Clinical Resource Network LLC (D.B.A. Symphony Clinical Research), from CRN Holdings LLC for \$31.6 million. The acquisition broadens ICON's recruitable population because Symphony's services reduce the travel burden for patients and provides patients access to clinical research studies that they may not have otherwise been able to participate in.



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October 2019 - TriHealth Inc, a subsidiary of Catholic Health Initiatives, acquired remaining 40% stake in The McCullough-Hyde Memorial Hospital, Inc., for \$11 million. TriHealth is a unified health system based in Cincinnati, Ohio. The McCullough-Hyde Memorial Hospital is headquartered in Oxford, OH and provides a range of healthcare and medical services, such as cancer care, emergency care, imaging and diagnostics, inpatient services, occupational health and surgical services.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
The Medicines Co.	Novartis AG
ArQule, Inc.	Merck Sharp & Dohme Corp.
Synthorx, Inc.	Sanofi
HemaCare Corp.	Charles River Laboratories International, Inc.
Hospice Holdings Dfw LLC	Amedisys, Inc.
Clinical Resource Network LLC	ICON plc
McKesson Patient Care Solutions, Inc.	AdaptHealth LLC
The McCullough-Hyde Memorial Hospital, Inc.	TriHealth, Inc.

Industry Update

The number of antibiotic-resistant bacteria and fungi (known as Super Bugs) is rising, and hospitals and other health care providers are struggling to effectively prevent and treat the resulting volume of patient infections. Super Bugs cause more than 2.8 million infections and 35,000 deaths in the US annually, according to a new CDC report. While infection rates are increasing, the number of infections resulting in death has actually declined 18% since 2013, largely due to the emergence of hospital infection-control programs. The report, which states that more progress is needed in infection prevention, calls out 18 drug-resistant bacteria or fungi, plus a watch list of new pathogens identified in other areas of the world that could spread in the US.

One urgent threat, the *C. difficile* bacteria, caused another 224,000 infections and 12,800 deaths; *C. difficile* is not considered antibiotic-resistant but its infections are fueled by overuse of antibiotics. Drug-resistant infections raise costs for hospitals due to extended stays and more expensive treatments, and medical providers are often unable to perform needed surgeries or cancer treatments in patients with drug-resistant bacteria due to the risk of infection. The number of infections occurring outside hospital settings is also growing, putting more pressure on outpatient care providers to establish stronger protocols. To exacerbate the problem, pharmaceutical manufacturers have cut back on development of new antibiotics due to low profitability prospects, leaving providers with fewer options to treat deadly infections when they occur.

Industry Indicators

- US consumer prices for medical care commodities, an indicator of healthcare costs, increased 0.6% in November 2019 compared to the same period in 2018.
- US consumer prices for medical care services, an indicator of profitability for healthcare services, rose 5.1% in November 2019 compared to the same month in 2018.
- Total US revenue for healthcare and social assistance rose 4.4% in the third quarter of 2019 compared to the previous year.

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. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

