

Coker Capital's Healthcare Services Newsletter – Update on the Radiology Sector

In this issue of the Coker Capital Healthcare Services Newsletter, we provide an overview of the radiology sector.

Introduction

In 2016, the United States radiology industry generated approximately \$18.3 billion in revenue related to professional services. Total radiology expenditures, which also include the technical revenue generated by healthcare facilities, represent approximately 10% of all U.S. healthcare expenditures. With over 27,000 radiologists providing a wide array of services including body imaging, cardiac imaging, interventional radiology, musculoskeletal radiology, neuroradiology, oncology, pediatric imaging, and women's imaging, the sector addresses a breadth of human health issues. Professional radiology services are a critical component of the healthcare delivery system with a high impact upon clinical decision making and downstream healthcare resource utilization.

The professional radiology sector is highly fragmented and historically dominated by physician-owned local and regional practices that typically serve a concentrated client base of health systems and outpatient imaging centers. The largest independent radiology groups individually account for less than 1% of the overall market and the 100 largest practices in the U.S. account for less than 20%. Recent years have seen an acceleration of the pace of radiology practice consolidation driven by single-specialty, radiology practice management companies with private equity backing and publicly-traded, multi-specialty practice management companies.

As physicians and insurers have recognized the benefit of using imaging for detection and prevention, as opposed to more invasive surgery and curative care, the demand for radiology services has increased. Future demand for radiology services will be driven by the aging U.S. population, technology innovations, increased emphasis on preventative care, and greater patient awareness. As a result, revenue from professional radiology services is expected to grow annually at 1.8% to reach \$19.9 billion in 2022.⁽¹⁾

In this edition of the Coker Capital newsletter, we review the current state of the radiology market, examine current market participants and their acquisition activity, and offer our perspective on themes and dynamics that are present today and projected for the future.

Coker Capital Advisors provides mergers and acquisitions advisory services to middle market healthcare companies throughout the United States. Coker Capital Advisors operates from offices in Atlanta, Charlotte, and New York. Coker Capital operates as a subsidiary of Fifth Securities, Inc. ("Fifth Third")

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Radiology Industry Update

The professional radiology sector is an attractive area for investment due to its sustained growth and the consolidation opportunities available from significant fragmentation. The professional radiology sector has historically comprised physician-owned local and regional practices that typically served a concentrated client base of health systems and outpatient imaging centers. While these independent practices remain prevalent, recent years have seen an acceleration of the pace of consolidation driven by investor-backed practice management consolidators. These consolidators include publicly-traded, multi-specialty practice management companies as well as single-specialty, radiology practice management companies with private equity backing. In addition to these established consolidators, private equity firms with well-developed interest in the broader physician services market are seeking new platforms within the sector due to its scalability and potential cost efficiencies with economies of scale. Investment and acquisition activity is expected to continue to increase within the sector, with several factors fueling growth and investor interest in the industry:

- **Fragmented Market:** Profitability is compressing, particularly for smaller practices, creating a major incentive for consolidation. Approximately 27,000 radiologists operate across the United States, roughly 12,000 of which are solo practitioners or work in independent practices. There are an estimated 3,000 independent radiology groups with no single practice accounting for more than 1% of total industry revenue. Further, 75% of radiologists not associated with academic institutions operate in private, independent practices, a reflection of the migration from hospital employment.⁽¹⁾
- **Pressure on Independent Practices:** Independent radiology groups face the common challenges of physician practice management including rising operating costs, a changing reimbursement environment, and increasing regulatory burden. In addition, they face unique challenges including a consolidating health system client base that prefers radiology providers of scale capable of providing dedicated, 24/7, subspecialty coverage across a broad network. Effectively navigating this environment increasingly requires investments in dedicated management capabilities, technology infrastructure, clinical programs, and a subspecialty provider base. These investments can be economically prohibitive without scale, creating an advantage for national consolidators and the largest independent practices. As these providers expand their footprints, smaller independent radiology groups will face competition for their health system radiology contracts.
- **Positive Industry Trends:** Health systems are continuing to seek outsourced clinical solutions, specifically radiology as it constitutes roughly 10% of healthcare expenditures. Utilization of radiology services will continue to increase with preventative care initiatives, such as mammograms or molecular imaging, to address health issues before they are too severe. As the utilization of radiology services increases, the supply/demand imbalance will continue to persist. Since 2010, the U.S. population per radiologist has increased 4%. The Journal of Academic Radiology noted that in the past five years applications for radiology residency programs have decreased by approximately 20% while overall residency positions in radiology services have grown by 10%.⁽²⁾

(1) Source: Coker Capital Research

(2) Source: Journal of Academic Radiology

Radiology M&A Trends

Consolidation within the radiology sector has historically lagged activity within other hospital-based specialties such as anesthesia or hospital and emergency medicine. Commonly cited reasons for this include overhang from reimbursement reductions within the technical component of diagnostic imaging and concerns around the risk of technological disintermediation. This trend has reversed in recent years with the pace of consolidation within radiology accelerating rapidly. Consolidation is being led by some of the largest independent radiology groups, with eight of the nation’s twenty largest radiology groups now affiliated with national platforms. Key consolidators within radiology include:

- **Single-Specialty Consolidators:** Private equity and venture capital firms are actively deploying capital behind single-specialty radiology platforms. These consolidators offer the physician shareholders of independent radiology practices the opportunity to monetize a material portion of their value while maintaining an ownership stake in a larger, more diversified platform. Through their single-specialty model, these platforms focus their investments in technology, management infrastructure, and clinical programs that directly enhance the practice of radiology. Radiology Partners is the largest and most historically active of these single-specialty consolidators. Additional players including Aris Radiology, LucidHealth, and US Radiology Specialists are rapidly expanding the scope of their consolidation activities.
- **Multi-Specialty Consolidators:** MEDNAX and Envision are publicly-traded multi-specialty physician platforms that have become active radiology consolidators. With the intention of creating platforms that provide comprehensive outsourced physicians services to health systems, these groups are eager to acquire radiology practices that complement their existing specialties. This approach enhances leverage with payors, due to greater local market scale, and increases pressure on independent hospital-based practices as these larger groups look to leverage broader health system relationships to cross-sell services.

In addition to existing consolidators, private equity investors are pursuing the formation of additional platforms. As a result, competition for acquisitions has become intense with consolidators and private equity firms competing on both valuation and non-economic terms. Radiology practice valuations are influenced by traditional physician practice drivers including clinical quality, scale, diversification, and growth profile. In addition, independent practice valuations are driven by factors such as the mix of professional and technical profits, strength of health system relationships, level of subspecialization, and level of infrastructure investment that will enable the practice to serve as a platform or hub.

Top 20 Independent Practices Joining National Consolidators

Target	Consolidator	Location	Date
		Charlotte, NC	Apr-18
		Northridge, CA	Jan-18
		Phoenix, AZ	Dec-17
		Houston, TX	Oct-17
		Miami, FL	Aug-17
		Columbus, OH	Oct-16
		Columbus, OH	Jul-16









Source: Company websites, equity research, public filings

Industry Leaders

The leading single-specialty consolidators within radiology are all privately-held companies with backing by private equity or venture capital. Radiology Partners, backed by New Enterprise Associates, is the largest professional radiology provider in the U.S. and has expanded through acquisition to cover a national footprint. Newer entrants include LucidHealth, backed by Excellere Partners, and US Radiology Specialists, backed by Welsh Carson. LucidHealth and US Radiology Specialists are actively pursuing acquisitions and are expected to significantly expand their footprints over the next several years. Aris Radiology, backed by Great Point Partners, also remains active in radiology consolidation.

Notable, Privately Owned Radiology Consolidators

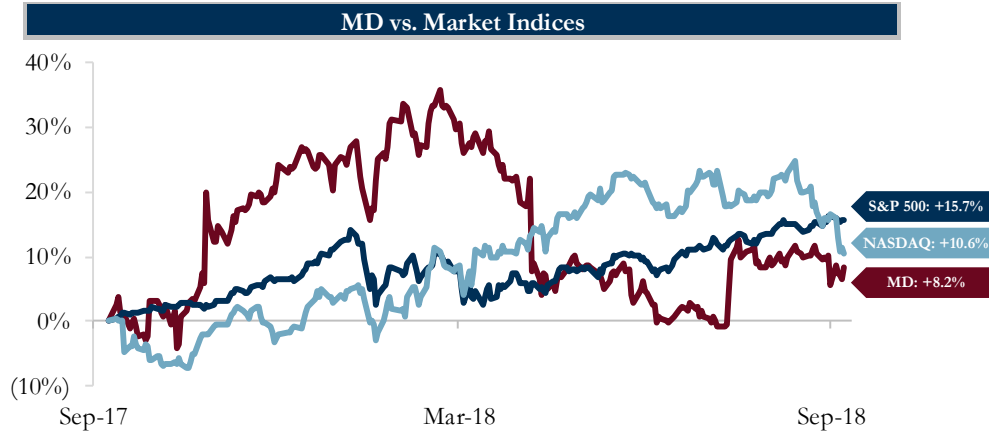


				
Ownership				
Headquarters	Hudson, OH	Columbus, OH	El Segundo, CA	Charlotte, NC
Locations	300+ Hospitals	27 Hospitals	700+ Hospitals	18 Hospitals
Services Provided	Diagnostic and Interventional Radiology	Diagnostic and Interventional Radiology, Vascular Medicine	Diagnostic and Interventional Radiology	Diagnostic and Interventional Radiology
Radiologists	250+	100	1,000+	100
Notable Recent Transactions	<ul style="list-style-type: none"> - USTeleradiology (2016) - Optimal IMX (2015) - Pediatric Radiology of America (2015) 	<ul style="list-style-type: none"> - N/A – recently completed investment from Excellere 	<ul style="list-style-type: none"> - MBB Radiology (2018) - Renaissance Imaging Medical Associates (2018) - Southwest Diagnostic Imaging (2017) 	<ul style="list-style-type: none"> - N/A – recently completed investment from WCAS
Date Founded	2007	2018	2012	2018

Source: Company websites, equity research, public filings

MEDNAX, Inc. (NYSE: MD) and Envision (NYSE: EVHC) are the two primary public players in the physician services sector. Of note, Envision announced that it was being taken private by KKR, a global private equity firm, in June 2018. In recent years, Mednax and Envision have expanded their service offering in radiology through acquisition. Over the past twelve months, both companies have experienced significant volatility in their stock price. MEDNAX’s equity value has increased 8.2% over the past year while Envision’s has increased 1.7% over the same time period.

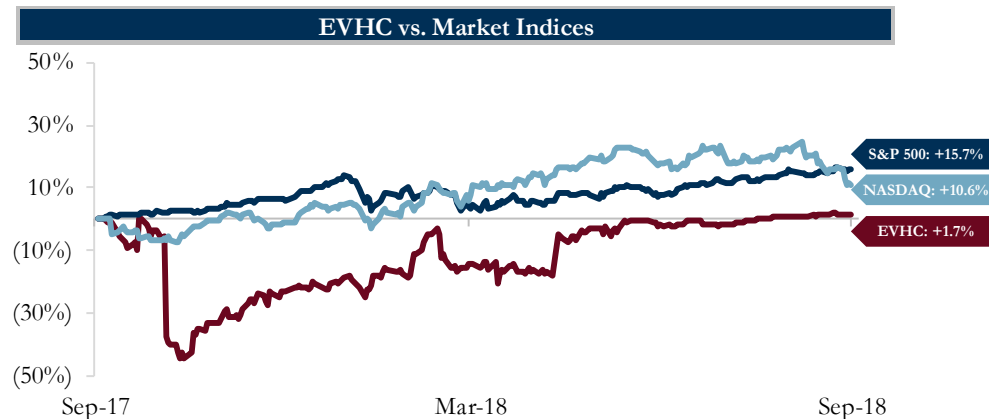
MEDNAX (NYSE: MD)		
Stock Price	\$46.39	
Shares Outstanding	88.2	
Market Capitalization	\$4,092.9	
Plus: Net Debt	\$1,844.0	
Firm Value	\$5,937.0	
	<u>Metric</u>	<u>Multiple</u>
2018E Revenue:	\$3,667.0	1.6x
2019E Revenue:	\$3,857.3	1.5x



MEDNAX is a leading provider of comprehensive health solutions designed to improve clinical, operational, and financial performance. Its suite of services contains revenue cycle management, outsourced physician services, patent engagement, and performance improvement consulting. Business highlights include:

- Approximately 4,000 affiliated physicians in all 50 states and Puerto Rico⁽¹⁾
- In 2017, revenue for the company increased \$275.2 million, or 8.6%, to \$3.46 billion⁽¹⁾
- Of the \$275.2 million increase, \$256.0 million, or 7.9%, was attributable to revenue generated from acquisitions since 2015⁽¹⁾
- In 2017, MEDNAX completed ten M&A transactions in the physician services and management space, including four radiology practices⁽¹⁾

Envision (NYSE: EVHC)		
Stock Price	\$45.93	
Shares Outstanding	119.9	
Market Capitalization	\$5,507.6	
Plus: Net Debt	\$4,033.1	
Firm Value	\$10,382.3	
	<u>Metric</u>	<u>Multiple</u>
2018E Revenue:	\$8,447.9	1.2x
2019E Revenue:	\$8,994.1	1.2x



Envision is a leading provider of clinical solutions for health systems, payors, providers, and patients. Its network of services comprises medical transportation, physician services, ambulatory services, and post-acute care. Business highlights include:

- Approximately 1,800 clinical departments at healthcare facilities in 45 states and the District of Columbia with over 25,000 employed or affiliated physicians and other healthcare professionals⁽¹⁾
- Net revenue increased \$4.32 billion, or 123.5%, to \$7.82 billion in 2017 primarily driven by the merger with AmSurg⁽¹⁾
- 28% and 27% of 2017 net revenue generation for physician services and ambulatory services, respectively, came from governmental healthcare programs⁽¹⁾
- In 2017, Envision completed 16 M&A transactions in the physician services and ambulatory services space, including two radiology practices⁽¹⁾

(1) Source: Company websites, equity research, public filings

Recently Completed Radiology M&A Transactions

Announced Date	Target	Acquiror/Investor	Locations Served	Location
Sep-19	MBB Radiology	Radiology Partners, Inc.	16	Jacksonville, FL
Apr-18	Women's Radiology Associates, LLP	Synergy Radiology Associates, P.A.	1	Houston, TX
Apr-18	Radiology Associates of Florida, P.A.	Radiology Partners, Inc.	20	Tampa, FL
Mar-18	Chandler Radiology Associates LLP	Envision Healthcare Corporation (NYSE:EVHC)	N/A	Chandler, AZ
Jan-18	Renaissance Imaging Medical Associates, Inc.	Radiology Partners, Inc.	31	Northridge, CA
Jan-18	Charlotte Radiology	Welsh, Carson, Anderson, & Stowe	45	Charlotte, NC
Sep-17	Jefferson Radiology, P.C.	MEDNAX, Inc. (NYSE:MD)	9	Hartford, CT
Sep-17	Southwest Diagnostic Imaging, Ltd.	Radiology Partners, Inc.	32	Phoenix, AZ
Aug-17	Radiology Associates of South Florida, PA	MEDNAX, Inc. (NYSE:MD)	35	Miami, FL
May-17	Central Medical Imaging, Inc.	Regional Medical Imaging, P.C.	8	Royal Oak, MI
Apr-17	Reliant Medical Group, Inc.	OptumHealth, Inc.	15	Worcester, MA
Mar-17	Imaging Advantage	Envision Healthcare Corporation (NYSE:EVHC)	450	Santa Monica, CA
Jan-17	Missoula Radiology, PC	Inland Imaging, LLC	4	Missoula, MT
Jan-17	Radiology Alliance	MEDNAX, Inc. (NYSE:MD)	34	Nashville, TN
Jan-17	Sunshine Radiology, LLC	Envision Healthcare Corporation (NYSE:EVHC)	9	Tampa, FL
Oct-16	Riverside Radiology and Interventional Associates	Excellere Partners	62	Columbus, OH
Oct-16	USTeleradiology	Aris Radiology	N/A	Atlanta, GA
Sep-16	Suburban Radiology LLC	MedQuest Associates, Inc.	N/A	Mobile, AL
Jul-16	Columbus Radiology Corp.	Radiology Partners, Inc.	40+	Columbus, OH
Apr-16	Lake Pointe Radiology Associates PLLC	Radiology Partners, Inc.	1	Rowlett, TX
Oct-15	Radiology Associates, Inc.	Rhode Island Medical Imaging, Inc.	2	Providence, RI
Oct-15	Diagnostic Imaging Group, LLC	Mid Rockland Imaging Partners, Inc.	17	New York, NY
Aug-15	MedFocus Radiology Network	Apax Partners	3,400	Santa Monica, CA
May-15	Virtual Radiologic Corporation	MEDNAX, Inc. (NYSE:MD)	2,100	Eden Prairie, MN
Apr-15	Optimal Radiology	Aris Radiology	N/A	Nashville, TN
Apr-15	Aris Radiology	Great Point Partners	300+	Nashville, TN
Mar-15	Radiology Associates of Hollywood	Sheridan Healthcare	12	Pembroke Pines, FL
Feb-15	Advanced Medical Imaging, LLC And Olympic Radiology, LLC	Harrison Medical Center	5	Kitstap County, WA
Jan-15	Radisphere	Sheridan Healthcare	100	Beachwood, OH
Nov-14	Singleton Associates	Radiology Partners	8	Houston, TX
May-14	Sheridan Healthcare, Inc.	Envision Healthcare Corporation (NYSE:EVHC)	167	Sunrise, FL
Feb-14	Quakerbridge Radiology Associates, P.A.	Princeton Radiology Associates P.A., Inc.	2	Mercerville, NJ
Jan-14	Booth Radiology Inc.	South Jersey Radiology Associates, P.A.	3	West Deptford, NJ
Dec-13	Radiology 24/7	ONRAD/Housatonic Partners	N/A	San Diego, CA
Jan-13	Pediatric Radiology of America	Aris Radiology	N/A	Cave Spring, VA
Jan-13	Pinellas Radiology Associates	Sheridan Radiology Services of Pinellas Inc.	4	St. Petersburg, FL
Mar-12	Radiology Associates of North Texas, P.A.	Strategic Radiology, LLC	57	Fort Worth, TX
Jan-12	High Point Radiological Services, PA	Greensboro Radiology, P.A.	N/A	High Point, NC
Mar-11	Grapevine Radiology Associates	Radiology Associates of North Texas, P.A.	11	Grapevine, TX
Jan-12	Radiology Partners	New Enterprise Associates	350	El Segundo, CA
Jan-10	Southeastern Radiology, P.A.	Greensboro Imaging, Inc.	N/A	Greensboro, NC
Jan-10	Cabarrus Radiologists	Charlotte Radiology	N/A	Concord, NC

Source: Company websites, equity research, public filings

Note: Boldface text denotes a sponsor-backed transaction

Overview of Healthcare Services Subsectors and Companies

Acute-Care Hospitals (6)	
Company	Ticker
Community Health	CYH
HCA	HCA
Lifepoint Health	LPNT
Quorum Health	QHC
Tenet Healthcare	THC
Universal Health Services	UHS

Assisted Living and Long-Term Care (6)	
Company	Ticker
Brookdale Senior Living	BKD
Capital Senior Living	CSU
Ensign Group	ENSG
Five Star Quality Care	FVE
Genesis Healthcare	GEN
National Healthcare Group	NHC

Behavioral Health (5)	
Company	Ticker
Acadia	ACHC
American Addiction Centers	AAC
Civitas Solutions	CIVI
Providence Service Corp	PRSC
Universal Health Services	UHS

Clinical Laboratories (5)	
Company	Ticker
LabCorp	LH
NeoGenomics	NEO
Psychemedics	PMD
Quest Diagnostics	DGX
Sonic Healthcare	SHL

Contract Research Organizations (6)	
Company	Ticker
Charles River Labs	CRL
Icoo	ICLR
IQVIA Holdings	IQV
MedPace	MEDP
PRA Health	PRAH
Synco	SYNH

Distribution and Supplies (6)	
Company	Ticker
AmerisourceBergen	ABC
Cardinal Health	CAH
HenrySchein	HSIC
McKesson	MCK
Owens and Minor	OMI
Patterson Companies	PDCO

HCIT (21)	
Company	Ticker
<u>Provider Focused HCIT (13)</u>	
Allscripts Healthcare	MDRX
Athenahealth	ATHN
Cerner	CERN
CPSI	CPSI
Evolut Health	EVH
Healthstream	HSTM
iRhythm	IRTC
NextGen	NXGN
Omniceil	OMCL
Premier	PINC
Teladoc	TDOC
Vocera	VCRA
R1 RCM	RCM

<u>Payor Focused HCIT (6)</u>	
Benefit Focus	BNFT
Castlight Health	CSLT
eHealth	EHTH
Healthequity	HQY
HMS Holdings	HMSY
Inovalon Holdings	INOV

<u>Other HCIT (2)</u>	
Medidata	MDSO
Veeva Systems	VEEV

Hospice and Home Care (4)	
Company	Ticker
Addus Home Care	ADUS
Amedisys	AMED
Chemed	CHE
LHC Group	LHCG

Other Outsourced Services (4)	
Company	Ticker
Corvel	CRVL
Healthcare Services Group	HCSG
Magellan Health	MGLN
Tivity Health	TVTY

Payors (9)	
Company	Ticker
<u>Government Payors (4)</u>	
Centene	CNC
Magellan Health	MGLN
Molina	MOH
Wellcare	WCG

<u>Commercial Payors (5)</u>	
Aetna	AETM
Anthem	ANTM
Cigna	CI
Humana	HUM
United Healthcare	UNH

Physician Services / Alternate Site (8)	
Company	Ticker
American Renal Associates	ARA
DaVita Healthcare	DVA
Envision Healthcare	EVHC
Fresenius	FMS
Mednax	MD
Nobilis	HLTH
RadNet	RDNT
Surgery Partners	SGRY

Rehabilitation (3)	
Company	Ticker
Encompass Health	EHC
Select Medical	SEM
US Physical Therapy	USPH

Specialty Pharmacy Services (5)	
Company	Ticker
BioScrip	BIOS
CVS Health	CVS
Diplomat Pharmacy	DPLO
Express Scripts	ESRX
Walgreens Boots Alliance	WBA

Staffing (3)	
Company	Ticker
AMN Health Services	AMN
Cross Country Healthcare	CCRN
On Assignment	ASGN

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Company	PUBLICLY-TRADED HEALTHCARE COMPANIES									
	Market Data				Financial Information				Trading Multiples	
	Price as of 09/30/18	% 52wk High	Market Cap	Enterprise Value	Cash and Cash Equivalents	Total Debt	2018P Revenue	2018P EBITDA	EY (P) / 2018 Revenue	EBITDA
Provider Services										
Acute-Care Hospitals										
HCA	\$138.97	99%	\$48,090.0	\$82,233.0	\$68.0	\$33,192.0	\$46,252.5	\$8,768.5	1.8x	9.4x
Tenet Healthcare	27.73	70%	2,839.5	19,462.5	403.0	14,867.0	18,110.0	2,604.0	1.1x	7.5x
UHS	125.30	94%	11,696.0	15,680.6	76.9	3,990.5	10,813.3	1,761.0	1.5x	8.9x
Community Health	2.80	40%	316.0	14,413.0	208.0	13,715.0	13,925.0	1,608.6	1.0x	9.0x
Lifepoint Health	64.39	99%	2,490.4	5,410.4	143.8	2,928.4	6,304.4	740.0	0.9x	7.3x
Quorum Health	4.96	50%	153.2	1,366.8	2.8	1,199.4	1,903.6	151.4	0.7x	9.0x
<i>Weighted Average</i>									1.6x	9.1x
<i>Median</i>									1.1x	8.9x
Assisted Living and Long-Term Care										
Brookdale Senior Living	9.02	81%	1,692.7	6,361.9	126.6	4,816.3	4,506.4	543.9	1.4x	11.7x
Ensign Group	38.18	95%	1,986.6	2,235.1	27.2	278.1	2,012.8	193.5	1.1x	11.6x
Capital Senior Living	8.66	52%	270.0	1,258.8	10.9	999.7	458.5	93.4	2.7x	13.5x
Genesis Healthcare	1.38	48%	140.5	4,359.4	78.9	4,928.9	4,963.4	597.2	0.9x	7.3x
National Healthcare Group	74.37	94%	1,132.3	1,047.4	59.3	109.9	N/A	N/A	N/A	N/A
Five Star Quality Care	0.85	47%	43.1	20.2	22.1	8.0	1,366.9	N/A	N/A	N/A
<i>Weighted Average</i>									1.0x	9.0x
<i>Median</i>									1.3x	11.6x
Behavioral Health										
Universal Health Services	125.30	94%	11,696.0	15,680.6	76.9	3,990.5	10,813.3	1,761.0	1.5x	8.9x
Acadia	35.70	78%	3,151.4	6,321.8	79.5	3,221.1	3,036.6	635.5	2.1x	9.9x
Civitas Solutions	16.06	81%	581.8	1,297.2	0.0	718.1	1,611.9	166.0	0.8x	7.8x
Providence Service Corp	67.81	81%	868.6	916.6	29.7	2.2	1,637.9	67.4	0.6x	13.6x
American Addiction Centers	7.00	54%	172.2	468.7	11.4	326.6	337.0	68.0	1.4x	6.9x
<i>Weighted Average</i>									1.5x	9.3x
<i>Median</i>									1.4x	8.9x
Hospice and Home Care										
Chemed	316.94	94%	5,099.4	5,190.1	12.7	103.4	1,784.0	308.6	2.9x	16.8x
Amedisys	115.75	91%	3,685.0	3,784.8	25.9	124.6	1,649.7	172.0	2.3x	22.0x
LHC Group	97.70	94%	3,061.2	3,418.4	15.4	254.9	1,837.2	167.4	1.9x	20.4x
Addus Home Care	65.05	90%	821.6	854.2	69.2	101.9	521.1	43.9	1.6x	19.5x
<i>Weighted Average</i>									2.4x	19.4x
<i>Median</i>									2.1x	19.9x
Physician Services / Alternate Site										
Presentis	51.31	89%	27,294.1	33,983.4	1,657.5	7,264.0	19,541.9	3,879.0	1.7x	8.8x
Davita	72.05	89%	12,025.1	22,827.9	389.3	9,944.1	11,633.5	2,146.5	2.0x	10.6x
Envision Healthcare	45.96	100%	5,511.2	10,385.9	593.5	4,626.6	8,447.9	979.1	1.2x	10.6x
Mednax	46.14	73%	4,070.9	5,914.9	38.1	1,892.0	3,667.0	581.0	1.6x	10.2x
Surgery Partners	15.10	76%	738.4	4,275.8	96.1	2,313.5	1,791.5	243.9	2.4x	17.5x
American Renal Associates	20.47	85%	664.6	1,465.5	69.4	556.6	850.8	110.0	1.7x	13.3x
RadNet	15.47	97%	747.0	1,363.2	16.3	594.9	968.4	146.9	1.4x	9.3x
Nobilis	0.92	54%	72.0	251.1	16.5	139.6	323.2	57.5	0.8x	4.4x
<i>Weighted Average</i>									1.7x	9.7x
<i>Median</i>									1.7x	10.4x
Rehabilitation										
Encompass Health	76.83	93%	7,595.7	10,643.5	59.0	2,636.5	4,250.0	879.5	2.5x	12.1x
Select Medical	17.45	81%	2,362.3	6,388.0	141.0	3,434.0	5,129.7	648.7	1.2x	9.8x
U.S. Physical Therapy	111.62	86%	1,416.0	1,568.4	27.1	61.4	452.2	61.9	3.5x	25.3x
<i>Weighted Average</i>									2.4x	13.3x
<i>Median</i>									2.5x	12.1x

Source: CapIQ

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(\$ in millions)		PUBLICLY-TRADED HEALTHCARE COMPANIES									
Company	Ticker	Market Data				Financial Information				Trading Multiples	
		Price as of 09/30/18	% 52wk High	Market Cap	Enterprise Value	Cash and Cash Equivalents	Total Debt	2018P Revenue	2018P EBITDA	EV (P) / 2018 Revenue EBITDA	
Information Technology and Solutions											
Provider Focus HCIT											
Cerner	CERN	64.48	87%	21,214.2	20,769.6	511.0	440.9	5,408.4	1,605.1	3.8x	12.9x
Athenahealth	NasdaqGS:ATH	124.50	76%	5,042.5	5,084.1	222.1	263.7	1,348.8	374.5	3.8x	13.6x
Teladoc	NYSE:TDOC	75.83	85%	5,273.4	5,543.8	105.8	402.8	411.3	13.3	13.5x	N/A
Allscripts Healthcare	NasdaqGS:MDR	13.73	85%	2,397.4	4,393.1	135.9	1,646.5	2,166.0	421.8	2.0x	10.4x
Premier	Nasdaq:PINC	45.45	98%	2,421.2	2,376.0	152.4	107.2	1,661.1	547.0	1.4x	4.3x
Omnicell	NasdaqGS:OMC	67.47	92%	2,649.5	2,802.1	46.2	198.8	791.2	123.7	3.5x	22.7x
iRhythm	IRTC	85.84	87%	2,055.8	2,002.4	19.2	32.6	140.7	N/A	N/A	N/A
Evolent Health	EVH	26.60	92%	2,071.6	2,005.6	198.0	121.9	578.7	21.1	3.5x	N/A
NextGen Healthcare	Nasdaq:NXGN	19.17	81%	1,231.0	1,250.0	26.5	45.5	533.6	79.5	2.3x	15.7x
Vocera	NYSE:VCRA	34.00	92%	1,025.6	927.6	27.5	108.3	179.8	17.7	5.2x	N/A
R1 RCM	RCM	9.26	84%	1,018.3	1,537.5	38.8	359.4	870.3	53.6	1.8x	28.7x
Healthstream	NasdaqGS:HSTI	29.31	92%	947.4	781.8	122.6	0.0	228.8	39.9	3.4x	19.6x
CPSI	Nasdaq:CPSI	26.87	78%	365.5	503.0	1.5	139.0	284.9	44.0	1.8x	11.4x
<i>Weighted Average</i>										4.4x	10.7x
<i>Median</i>										3.4x	13.6x
Payor Focus HCIT											
Healthequity	Nasdaq:HQY	89.49	89%	5,571.8	5,268.8	261.8	0.0	284.0	112.0	N/A	N/A
Inovalon Holdings	NasdaqGS:INO*	10.19	58%	1,555.6	2,441.4	68.0	969.4	568.1	169.8	4.3x	14.4x
HMS Holdings	NasdaqGS:HMS	31.31	92%	2,613.2	2,765.1	88.1	240.0	582.1	146.8	4.7x	18.8x
Benefit Focus	Nasdaq:BNFT	38.53	86%	1,228.6	1,303.7	53.3	128.4	256.2	9.7	5.1x	N/A
Castlight Health	NYSE:CSLT	2.54	43%	349.9	281.0	44.6	5.6	153.4	-12.9	1.8x	N/A
eHealth	EHTH	30.31	92%	581.2	550.4	30.8	0.0	221.8	23.9	2.5x	23.1x
<i>Weighted Average</i>										2.3x	7.1x
<i>Median</i>										4.3x	18.8x
Other HCIT											
Veeva Systems	NYSE:VEEV	98.04	90%	14,167.7	13,157.3	511.7	0.0	842.5	296.8	15.6x	44.3x
Medidata	NasdaqGS:MDS	71.02	80%	4,235.2	4,209.9	120.3	382.6	636.7	150.1	6.6x	28.0x
<i>Weighted Average</i>										13.5x	40.6x
<i>Median</i>										11.1x	36.2x

Source: CapIQ

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(\$ in millions)										
PUBLICLY-TRADED HEALTHCARE COMPANIES										
Company	Market Data				Financial Information				Trading Multiples	
	Price as of 09/30/18	% 52wk High	Market Cap	Enterprise Value	Cash and Cash Equivalents	Total Debt	2018P Revenue	2018P EBITDA	EY (P) / 2018 Revenue	EBITDA
Clinical and Patient Support Services										
Clinical Laboratories										
LabCorp	\$169.10	89%	\$17,231.3	\$23,492.7	\$221.4	\$6,462.8	\$11,415.9	\$2,106.6	2.1x	11.2x
Quest Diagnostics	103.33	89%	14,121.8	17,939.8	132.0	3,834.0	7,701.3	1,588.0	2.3x	11.3x
Sonic Healthcare	25.30	94%	10,778.7	13,367.3	313.3	2,796.4	5,754.0	989.7	2.3x	13.5x
NeoGenomics	14.31	92%	1,308.5	1,437.6	9.4	138.5	266.7	40.0	5.4x	35.9x
Psychemedics	18.90	83%	104.1	99.3	7.7	2.9	N/A	N/A	N/A	N/A
<i>Weighted Average</i>									2.3x	12.5x
<i>Median</i>									2.3x	12.4x
Contract Research Organizations										
IQVIA Holdings	127.79	97%	25,888.6	35,944.6	879.0	10,734.0	10,363.0	2,211.0	3.5x	16.3x
PRA Health	106.37	94%	6,847.2	8,030.9	122.9	1,300.6	2,915.0	453.7	2.8x	17.7x
Icon	149.14	96%	8,102.5	8,078.5	289.2	349.1	2,595.2	454.6	3.1x	17.8x
Synco Health	48.08	81%	4,948.0	7,678.3	171.5	2,903.2	4,446.0	584.1	1.7x	13.1x
Charles River Labs	129.73	95%	6,231.2	7,885.7	192.3	1,827.8	2,230.8	524.8	3.5x	15.0x
MedPace	58.21	89%	2,090.7	2,259.6	22.2	191.1	689.4	134.8	3.3x	16.8x
<i>Weighted Average</i>									3.2x	16.3x
<i>Median</i>									3.2x	16.5x
Staffing										
On Assignment	71.67	76%	3,752.1	4,948.3	44.7	1,240.9	3,348.7	395.4	1.5x	12.5x
AMN Health Services	51.57	76%	2,449.2	2,901.5	22.9	475.2	2,153.7	270.7	1.3x	10.7x
Cross Country Healthcare	8.69	60%	315.4	380.2	32.6	96.7	821.5	35.2	0.5x	10.8x
<i>Weighted Average</i>									1.4x	11.8x
<i>Median</i>									1.3x	10.8x
Managed Care										
Government Payors										
Wellcare	315.44	97%	15,764.1	11,849.4	5,098.5	1,183.8	20,152.3	956.2	0.6x	12.4x
Centene	143.97	97%	29,550.8	29,356.8	6,707.0	6,415.0	59,840.1	2,728.1	0.5x	10.8x
Molina	144.00	93%	8,893.7	7,202.7	3,392.0	1,701.0	18,837.9	980.0	0.4x	7.3x
Magellan Health	69.74	62%	1,709.9	2,290.6	172.6	825.0	7,359.9	330.8	0.3x	6.9x
<i>Weighted Average</i>									0.5x	10.6x
<i>Median</i>									0.4x	9.1x
Commercial Payors										
United Healthcare	269.20	99%	259,097.8	280,113.8	18,368.0	35,055.0	225,497.1	19,708.0	1.2x	14.2x
Anthem	275.92	99%	71,726.4	86,954.3	4,682.0	19,909.9	91,280.0	6,828.5	1.0x	12.7x
Actna	203.72	99%	66,697.9	67,677.9	7,447.0	8,159.0	61,378.3	6,145.6	1.1x	11.0x
Cigna	215.72	95%	52,498.6	54,207.6	3,634.0	5,304.0	45,358.0	5,184.7	1.2x	10.5x
Humana	331.14	97%	45,619.0	42,812.0	8,052.0	5,245.0	56,241.4	3,495.5	0.8x	12.2x
<i>Weighted Average</i>									1.1x	13.0x
<i>Median</i>									1.1x	12.2x
Other Outsourced Services										
Magellan Healthcare	69.74	62%	1,709.9	2,290.6	172.6	825.0	7,359.9	330.8	0.3x	6.9x
Healthcare Services Group	39.76	71%	2,931.9	2,884.3	13.2	40.5	2,033.9	145.7	1.4x	19.8x
Tivity Health	32.37	67%	1,295.0	1,378.0	67.0	150.0	611.7	140.2	2.3x	9.8x
Corvel	56.64	93%	1,069.4	996.1	73.3	0.0	0.0	0.0	N/A	N/A
<i>Weighted Average</i>									1.1x	11.8x
<i>Median</i>									1.4x	9.8x
Specialty Pharmacy Services										
CVS Health	78.67	94%	80,091.1	101,293.1	43,815.0	65,109.0	188,914.3	12,535.4	0.5x	8.1x
Walgreens Boots Alliance	72.51	90%	71,959.8	85,920.8	1,818.0	15,045.0	134,575.8	9,133.7	0.6x	9.4x
Express Scripts	96.03	100%	53,980.4	66,034.1	2,942.3	14,990.7	101,227.0	7,680.1	0.7x	8.6x
Diplomat Pharmacy	18.54	65%	1,376.7	1,958.7	7.4	589.3	5,668.7	168.0	0.3x	11.7x
BioScrip	3.01	92%	385.4	945.4	20.8	493.3	697.5	55.7	1.4x	17.0x
<i>Weighted Average</i>									0.6x	8.7x
<i>Median</i>									0.6x	9.4x
Distribution and Supplies										
McKesson	134.08	75%	26,785.3	36,125.3	2,199.0	9,877.0	213,321.4	4,206.1	0.2x	8.6x
Cardinal Health	53.79	71%	16,129.7	23,469.7	1,763.0	9,091.0	138,060.5	2,886.0	0.2x	8.1x
AmerisourceBergen	90.58	85%	19,597.6	22,152.1	2,388.9	4,765.4	171,576.0	2,287.1	0.1x	9.7x
HenrySchein	88.44	98%	13,541.2	15,909.4	111.3	2,177.2	13,423.8	1,112.6	1.2x	14.3x
Patterson	24.08	60%	2,248.3	3,016.4	91.5	855.6	5,556.0	258.7	0.5x	11.7x
Owens and Minor	16.55	56%	1,031.4	2,582.7	118.2	1,669.5	9,951.0	280.2	0.3x	9.2x
<i>Weighted Average</i>									0.3x	9.8x
<i>Median</i>									0.2x	9.5x

Source: CapIQ

ABOUT COKER CAPITAL ADVISORS

Coker Capital Advisors is a healthcare-focused mergers and acquisitions advisory firm. With offices in Atlanta, Charlotte, and New York, we provide mergers and acquisitions advisory services to middle market healthcare companies. Our team combines investment banking, private equity, legal, and management consulting experience within the healthcare industry. Our senior professionals average more than a decade of healthcare transaction experience and have completed over 225 transactions across a wide range of healthcare subsectors with an aggregate transaction value in excess of \$65 billion.

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