

## HEALTHCARE

FIRST QUARTER

2017

This Industry Practice Group was established to draw on the experience of CFA advisors, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. 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

M&A activity for North American based target companies in the Healthcare sector for Q4 2016 included 147 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$137 million.

One of the largest deals in the quarter took place in November when Allergan Plc acquired Chase Pharmaceuticals Corp, a portfolio company of Edmond de Rothschild Investment

Partners SA, Brain Trust Accelerator Fund and Cipla Ventures, for US\$1 billion in cash and contingent payout. Allergan engages in the research, development, and manufacture of pharmaceutical products. Chase Pharmaceuticals Corp. develops novel medications for the treatment of Alzheimer's disease. It focuses on pharmaceuticals for Alzheimer type dementia, which include oral medications such as its lead product, CPC-201, as well as CPC 252 for transdermal administration. The company was founded by Thomas N. Chase and Kathleen Clarence-Smith in 2007 and is headquartered in Washington, DC.

On the public markets healthcare stocks mirrored the broader markets, which began the quarter slowly but gained momentum following the election of President Trump in November. One stock that had a particularly strong quarter was UnitedHealth Group Incorporated (UNH), which grew 16.7% from \$137 per share to \$160 per share.

## Transactional Overview

Notable closed transactions for the period in the Healthcare sector include:

**December 2016** - Repligen Corp acquired TangenX Technology Corp from Groupe Novasep SAS for US\$37 million in cash, US\$1 million in assumed liabilities and US\$0.4 million in other payment. Repligen Corp. engages in the development, production and commercialization of products used in the process of manufacturing



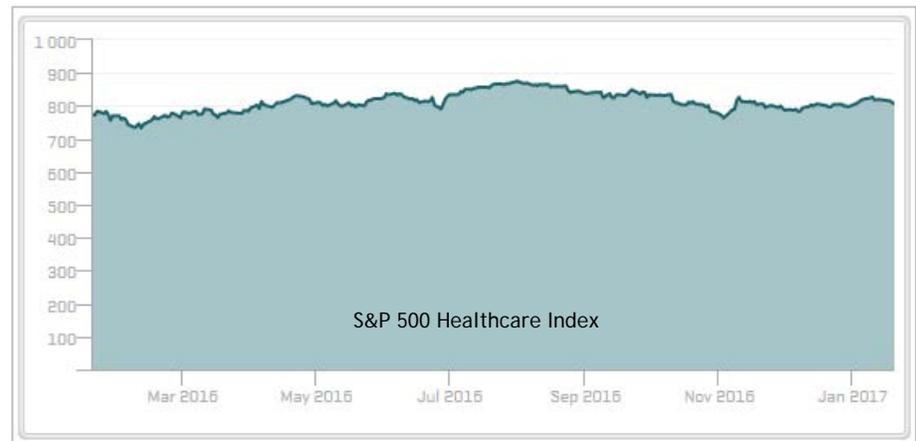
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biological drugs. TangenX Technology engages in the development, production, and commercialization of tangential flow filtration membrane products for the biopharmaceutical industry. The company was founded in 2004 and is headquartered in Shrewsbury, MA.

**December 2016** - Sverica Capital Management LLC acquired Novati Technologies Inc. from Tezzaron Semiconductor Corp for US\$58 million in cash and stock. Founded in 1993, Sverica Capital Management LLC is a private equity firm headquartered in Boston, with an additional office in San Francisco. Novati Technologies, Inc. provides research and development foundry services offering the opportunity to develop and characterize silicon-based technologies.

**November 2016** - National Health Industries, Inc., a subsidiary of Almost Family, Inc. acquired an 80% majority stake in Community Health United Home Care LLC from Community Health Systems for US\$128 million in cash, subject to working capital adjustment. National Health Industries, Inc. provides healthcare services. Community Health United Home Care LLC provides health care services. The company is headquartered in Franklin, TN.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
IHL of Florida, Inc.	MediXall Group, Inc.
Prestige Brands Holdings, Inc.	Moberg Pharma AB
Neovasc, Inc. /Biological Tissue	Boston Scientific Corp.
Veridicus Health LLC	Magellan Pharmacy Solutions
Arsia Therapeutics, Inc.	Eagle Pharmaceuticals, Inc.
Extension Healthcare	Vocera Communications, Inc.
SH Franchising LLC	Altaris Capital Partners LLC
Community Health United Home	National Health Industries, Inc.

## Industry Update

The number of US physician practices owned by hospitals is rising rapidly, as changes in medical payment systems prompt providers to seek efficiencies through new operational structures. Some 31,000 practices were acquired by hospital groups between 2012 and 2015, leading to an 86% jump in the number of hospital-owned doctors' offices, according to a recent study from Avalere Health and the Physicians Advocacy Institute (PAI). Nearly 40% of physicians in the US are employed by hospitals or health systems. Typical acquisitions include employment contracts for multiple physicians' services, along with physical property and equipment. The study found that Medicare payments for some common outpatient hospital services are up to three times higher than if they'd been performed at a physician-owned office, leading to concerns that the acquisition trend could drive up health care costs for payers.

### Industry Indicators

- US consumer prices for medical care commodities, an indicator of healthcare costs, increased 4.3% in November 2016 compared to the same period in 2015.
- US consumer prices for medical care services, an indicator of profitability for healthcare services, rose 3.9% in November 2016 compared to the same month in 2015.
- Total US revenue for healthcare and social assistance rose 5.40% in the third quarter of 2016 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.

