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# HEALTHCARE

FIRST QUARTER

2019

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.

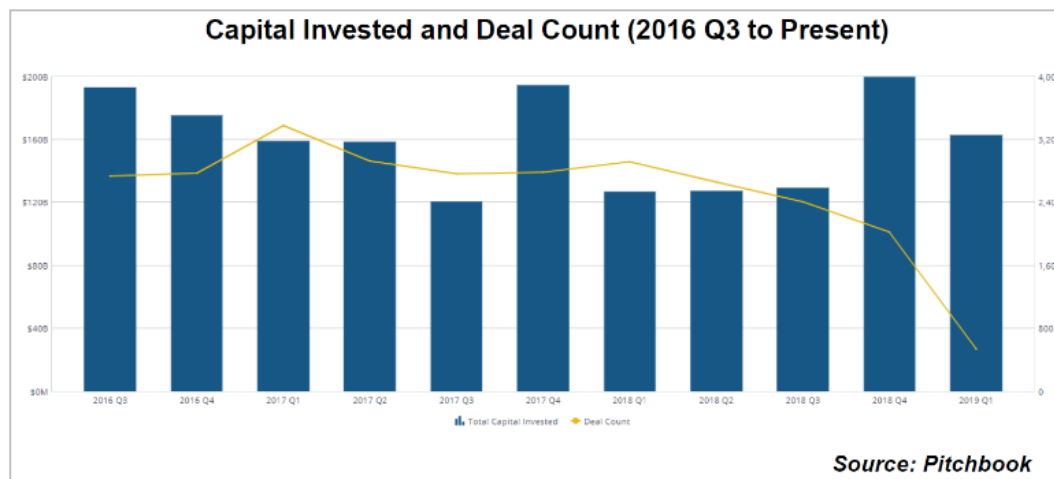
## Healthcare M&A

M&A activity for North American based target companies in the Healthcare sector for Q4 2018 included 103 closed deals, according to data published by industry data tracker *FactSet*.

Pharos Capital Group LLC acquired an undisclosed majority stake in Charter Health Care Group LLC for an undisclosed amount. The acquisition helps Pharos Capital Group's strategy to improve the patient experience and lower the costs of care. Founded in 2006, Charter Health Care Group is located in Covina, California and provides post-acute hospice, transitional care and home health care services throughout San Bernardino, Riverside, Los Angeles and Orange counties.

## Transactional Overview

According to PitchBook, total capital invested in the healthcare sector in 4Q18 was the largest amount of any quarter since 3Q16. The total capital invested in 4Q18 reached \$199.97 Billion and a total of 2,021 deals. Year-to-date capital invested in 2019 is already greater than six of the previous ten quarters suggesting a strong start to the new year.



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

**November 2018** - TRSHC Holdings LLC, a subsidiary of Tabula Rasa Healthcare, Inc., acquired Cognify, Inc. for \$18.3 million in stock and cash and \$14 million in contingent consideration. TRSHC Holdings engages in healthcare services. Cognify provides consulting and outsourcing services for the healthcare sector. It offers PACElogic, EHR and encounter data. The company was founded in 1998 and is headquartered in Oro Valley, CA.

**December 2018** - A private group led by Westwood Nursing & Rehabilitation LLC, Fulton Nursing & Rehabilitation LLC, Westwood Glasgow Propco LLC, Padgett Clinton Propco LLC, Birchwood Nursing Center Ltd and Holiday Fulton Propco, LLC has acquired Diversicare of Glasgow LLC, Diversicare of Clinton LLC, and Diversicare of Fulton LLC from Diversicare Healthcare Services, Inc. for \$18.7 million. Diversicare provides post-acute care services.

**August 2018** - Americore Holdings LLC, a subsidiary of Americore Health LLC, acquired St Alexius Hospital from Promise Healthcare Group, LLC for \$10 million in cash. Americore Holdings specializes in acquisition and management of rural hospitals. St. Alexius Hospital Corp. provides healthcare services. The firm offers cardiology services, general surgery, podiatry and pharmacy services. The company was founded in 1869 and is headquartered in St. Louis, MO.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
St. Alexius Hospital Corp.	Americore Holdings LLC
Cognify, Inc.	TRSHC Holdings LLC
EMD Millipore Corp. / Flow Cytometry Assets/	Luminex Corp.
CRH Healthcare LLC	Freeman Spogli & Co. LLC
Express Scripts Holding	Cigna [NYSE:CI]
AniCura Group AB	Mars, Inc.
Endocyte [NASDAQ:ECYT]	Novartis [SWX: NOVN]
Syntimmune	Alexion [NASDAQ:ALXN]
Augmenix	Boston Scientific [NYSE:BSX]
Vet Path Services, Inc.	Histo-Scientific Research Labs

## Industry Update

While consolidation among major hospital networks continues, some of the leading U.S. hospital operators are also quietly shedding several less-profitable assets to improve finances. Under increasing pressure to lower costs, hospitals are undertaking more deals as they experience reduced traffic due to competition from outpatient centers and retail clinics.

Community Health Systems has divested more than two dozen hospitals in the past year to focus on profitable markets and shrink its net loss as the system struggles with lower admissions. LifePoint Health, also reporting lower admissions, has divested several underperforming hospitals in 2018; in addition, the firm has agreed to merge with RCCH HealthCare. Tenet Healthcare, struggling with net losses, is also conducting a \$1 billion divestiture plan along with layoffs.

## Industry Indicators

- Total U.S. revenue for healthcare and social assistance rose 4.7% in the third quarter of 2018 compared to the previous year.
- U.S. consumer prices for medical care services, an indicator of profitability for healthcare services, rose 2.6% in December 2018 compared to the same month in 2017.
- U.S. consumer prices for medical care commodities, an indicator of healthcare costs, decreased 0.5% in December 2018 compared to the same period in 2017.
- U.S. nondurable goods manufacturers' shipments of pharmaceuticals and medicines, an indicator of pharmaceuticals production, rose 9.1% year-to-date in October 2018 compared to the same period in 2017.
- U.S. retail sales for health and personal care stores, a potential measure of consumer spending on pharmaceuticals, increased 3.8% in the first eleven months of 2018 compared to the same period in 2017.

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.

