

HEALTHCARE

SECOND QUARTER

2019

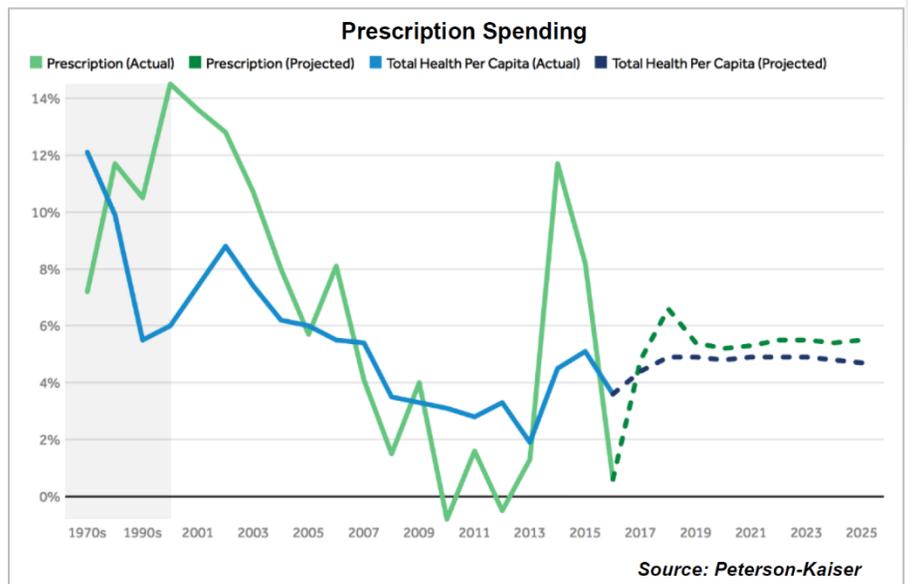
The Healthcare Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Healthcare category. Working with your local CFA representative, 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 Q1 2019 included 156 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions closed in March when Acrotech Biopharma LLC, a subsidiary of Aurobindo Pharma Ltd, acquired the business and assets of 7 Hematology Products from Spectrum Pharmaceuticals, Inc. for \$300 million in cash and contingent payout. The acquisition would allow Acrotech Biopharma to expand its product offerings.

Prescription drug spending has decreased in recent years after a large spike in 2015.



Transactional Overview

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

March 2019 - BioTelemetry, Inc. acquired Geneva Healthcare, Inc. for \$65 million in cash and contingent payout, subject to certain closing and post-closing adjustments. BioTelemetry provides monitoring services and digital population health management in a healthcare setting, medical device manufacturing and centralized core laboratory services for clinical research. Geneva Healthcare provides healthcare services. It specializes in cardiac device data management, medical device interoperability, patient population health management and health information technology. The company was founded in 2010 and is headquartered in Pasadena, CA.

January 2019 - Lambda Therapeutic Research, Ltd. acquired Novum Pharmaceutical Research Services, Inc. for \$20 million. Lambda Therapeutic Research provides pharmaceutical research services.



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Novum Pharmaceutical Research Services provides pharmaceutical, biotechnology and medical device services. The firm offers scientific affairs, early phase research and clinical management services. It was founded in 1972 and is headquartered in Pittsburgh, PA.

January 2019 - Cantel Medical Corp acquired Vista Research Group, Inc., a portfolio company of Maryland Technology Development Corp, for \$10.5 million. Cantel Medical engages in the development and manufacture of infection prevention products and services in the healthcare market. Vista Research Group provides addiction treatment programs. It offers progress monitoring and research to improve outcomes. The company is headquartered in Annapolis, MD.

Selected Q2 Closed Transactions	
Target/Issuer	Buyers/Investors
Celgene (NASDAQ: CELG)	Bristol-Myers Squibb (NYSE: BMY)
Shire	Takeda Pharmaceutical Company (TKS: 4502)
GE (BioPharma Business) (NYSE: GE)	Danaher (NYSE: DHR)
Loxo Oncology, Inc.	Eli Lilly & Co. (NYSE: LLY)
Semnur Pharmaceuticals, Inc.	SCILEX Pharmaceuticals, Inc.
Spectrum Pharmaceuticals, Inc. / 7 Hematology Products/ (NASDAQ-GS: SPPI)	Aurobindo Pharma USA, Inc.; Acrotech Biopharma LLC
Immune Design Corp. (NASDAQ: IMDZ)	Merck Sharp & Dohme Corp. (NYSE: MRK)
CAS Medical Systems, Inc. (NASDAQ: CASM)	Edwards Lifesciences Corp. (NYSE: EW)
Geneva Healthcare, Inc.	BioTelemetry, Inc. (NASDAQ: BEAT)
Novum Pharmaceutical Research Services Inc	Lambda Therapeutic Research Ltd.
Vista Research Group, Inc.	Cantel Medical Corp. (NYSE: CMD)

Industry Update

The average value of mergers involving US hospitals rose in 2018, a year that saw continued consolidation among major industry players. The average transaction size has increased at a compound annual rate of nearly 14% since 2008 to reach \$409 million in 2018, and seven transactions involved sellers with more than \$1 billion in revenue, according to a new report from Kaufman Hall. Major mergers include combinations between Bon Secours and Mercy Health; LifePoint and RCHH HealthCare; Atrium Health and Navicent Health; Western Connecticut Health and Health Quest Systems; and Baylor, Scott & White and Memorial Hermann Health. Overall, hospitals announced some 90 transactions in 2018, down 22% from 115 in 2017. Among states, Texas had the most transactions, with 8, followed by Florida (7), Pennsylvania (6), Louisiana (5), and Tennessee (5).

Industry Indicators

- US consumer prices for medical care commodities, an indicator of healthcare costs, decreased 0.6% in March 2019 compared to the same period in 2018.
- US consumer prices for medical care services, an indicator of profitability for healthcare services, rose 2.3% in March 2019 compared to the same month in 2018.
- Total US revenue for healthcare and social assistance rose 3.8% in the fourth quarter of 2018 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.

