



## Healthcare Services: Q3 2012 M&A Review

The Healthcare Services sector continued to experience activity with the number of deals closed in Q3 2012. The increase was modest, up from 109 deals in Q2 2012 to 112 deals closed in Q3 2012. Total Enterprise Value (EV) decreased significantly, however. This decrease was also reflected in the median announced deal size. Median EBITDA multiples had an upswing, moving from 6.5x in Q2 2012 to 8.8x in Q3 2012. Activity in healthcare services M&A in Q3 2012 saw increased transactions in infusion services and in-home care, with deals closed by Lincare Holdings/Linde Group, InfuScience/BioScrip and IntegraCare Holdings/Kindred Healthcare.

Figure 1: Quarterly Healthcare Services M&A Deal Analysis, Q3 2011 – Q3 2012

Source: Signal Hill					
	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Number of Deals	161	136	108	109	112
% change from prior quarter	-	-15.5%	-20.6%	0.9%	2.8%
Total Enterprise Value (\$M)	\$38,122.7	\$5,365.0	\$1,927.0	\$7,647.0	\$12.7
% change from prior quarter	-	-85.9%	-64.1%	296.8%	-99.8%
Median Announced Deal Size (\$M)	\$20.4	\$43.0	\$7.9	\$25.2	\$12.7
% change from prior quarter	-	110.8%	-81.7%	220.4%	-49.7%
Median EV/TTM EBITDA Multiple	11.0x	8.0x	5.4x	6.5x	8.8x
% change from prior quarter	-	-27.2%	-46.4%	16.1%	35.4%

Figure 2: Healthcare Services Public Company Valuation Metrics Q3 2012

Source: Signal Hill				Enterprise Value as a Multiple of:							
Pricing Date: 9/28/12	% Of 52	Equity Value	Enterprise Value	Revenue			EBITDA			EBITDA Margin	
Median Metrics	Wk High	(\$ in mm)	(\$ in mm)	LTM	2012E	2013E	LTM	2012E	2013E	LTM	2012E
Acute Care	98.5%	2,598.2	7,393.0	0.9x	0.9x	0.9x	6.6x	6.3x	5.9x	14.1%	14.5%
Alternate Site	82.3%	501.4	1,142.1	1.6x	1.7x	1.6x	5.6x	5.6x	5.2x	25.7%	20.8%
Behavioral	98.8%	1,412.0	1,172.7	0.7x	0.7x	1.0x	6.9x	7.1x	6.3x	11.1%	11.5%
Home Health	88.1%	337.4	359.0	0.5x	0.5x	0.5x	5.9x	5.7x	5.3x	9.8%	9.8%
Laboratories	96.3%	2,201.6	1,861.1	1.9x	1.9x	1.9x	8.8x	8.5x	7.8x	21.6%	21.5%
Managed Care	76.0%	11,344.1	11,942.1	0.4x	0.3x	0.3x	6.1x	6.0x	5.8x	6.5%	5.7%
Senior Care / Rehab	95.7%	629.8	770.1	1.0x	1.0x	1.0x	7.4x	7.0x	7.3x	13.9%	14.9%
<b>All Select Healthcare Services</b>	<b>95.7%</b>	<b>1,412.0</b>	<b>1,172.7</b>	<b>0.9x</b>	<b>0.9x</b>	<b>1.0x</b>	<b>6.6x</b>	<b>6.3x</b>	<b>5.9x</b>	<b>13.9%</b>	<b>14.5%</b>



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Figure 3: Healthcare Services 1-Year Relative Stock Price Performance, Q3 2012

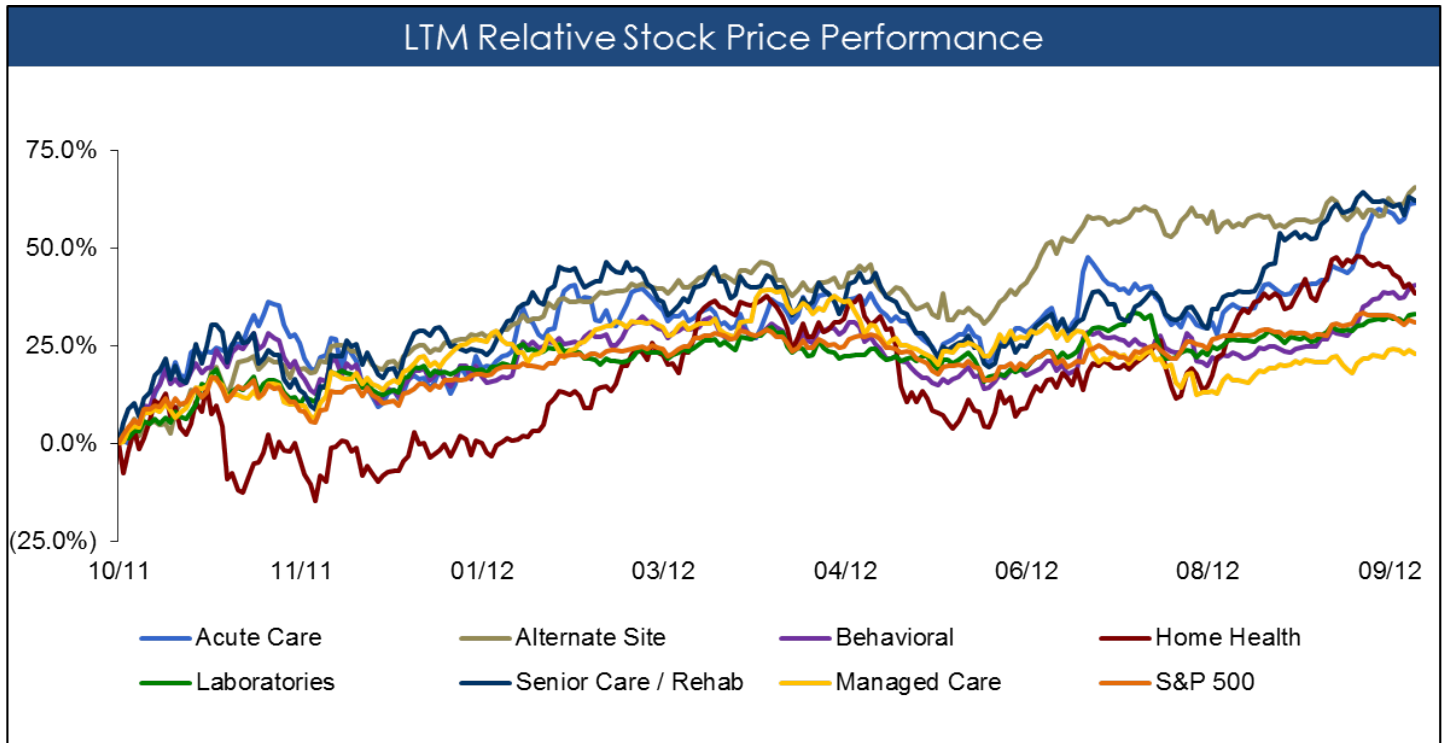


Figure 4: Disclosed Largest Healthcare Services EBITDA Multiples Q3 2012

Target	Buyer	Enterprise Value	EBITDA Multiple
Conmed Healthcare	Correct Care Solutions	\$42.7M	10.4x
Lincare Holdings Inc.	The Linde Group	\$4,328.6M	9.2x
IntegraCare Holdings, Inc.	Kindred Healthcare Inc.	\$71.0M	7.9x
DigiPath Solutions, LLC	AccelPath, Inc.	\$2.4M	4.2x



### Selected Healthcare Services Transactions Q3 2012

<p><b>Lincare Holdings Inc. acquired by The Linde Group</b></p> <p>EV: \$4,326.6M Revenue Multiple: 2.2x EBITDA Multiple: 9.2x</p>	<p>Lincare Holdings Inc., a provider of respiratory care, infusion therapy and medical equipment to patients in the home, was acquired by The Linde Group, a world-leading gases and engineering company. Linde Group's strategy is geared towards long-term profitable growth, focusing on expansion of its international business. As a result of the transaction, Lincare has become a wholly owned indirect subsidiary of Linde Group.</p>
<p><b>IntegraCare Holdings, Inc. acquired by Kindred Healthcare Inc.</b></p> <p>EV: \$71.0M Revenue Multiple: 1.0x EBITDA Multiple: 7.9x</p>	<p>IntegraCare Holdings, a portfolio company of private equity firm Flexpoint Ford, is a provider of home health, hospice and community services in Texas. IntegraCare was acquired by Kindred Healthcare, a long-term healthcare services provider. The transaction is expected to add scalability to Kindred's growing home health and hospice business.</p>
<p><b>Timberline Knolls, LLC acquired by TK Behavioral, LLC (subsidiary of Acadia Healthcare)</b></p> <p>EV: \$67.8M Revenue Multiple: 2.1x EBITDA Multiple: N/A</p>	<p>Timberline Knolls, a residential treatment center for women with eating disorders, substance abuse, trauma, mood and co-occurring disorders, was acquired by TK Behavioral [doing business as Timberline Knolls Residential Treatment Center, a subsidiary of Acadia Healthcare (Nasdaq:ACHC)]. As of August 31, 2012, Timberline Knolls, LLC has operated as a subsidiary of TK Behavioral, LLC.</p>
<p><b>Conmed Healthcare Management, Inc. acquired by Correct Care Solutions, LLC</b></p> <p>EV: \$42.7M Revenue Multiple: 0.6x EBITDA Multiple: 10.4x</p>	<p>Conmed Healthcare Management, a leading full service provider of correctional facility healthcare services to juvenile and adult county detention centers, was acquired by Correct Care Solutions (CCS), a national provider of medical, mental health, care management and medical technology services to municipal, county, state and federal jail and correctional facilities. Together, Conmed and CCS have capabilities in clinical care, mental health, telepsychiatry, electronic medical records, utilization management and pharmacy services.</p>
<p><b>InfuScience, Inc. acquired by BioScrip Inc.</b></p> <p>EV: \$38.0M Revenue Multiple: 1.0x EBITDA Multiple: N/A</p>	<p>InfuScience, a specialty infusion services provider serving acute and chronically ill patients, was acquired by BioScrip, a leading provider of comprehensive, cost-effective pharmaceutical and home care solutions. The transaction is consistent with BioScrip's goal of building its infusion business through strategic acquisitions.</p>