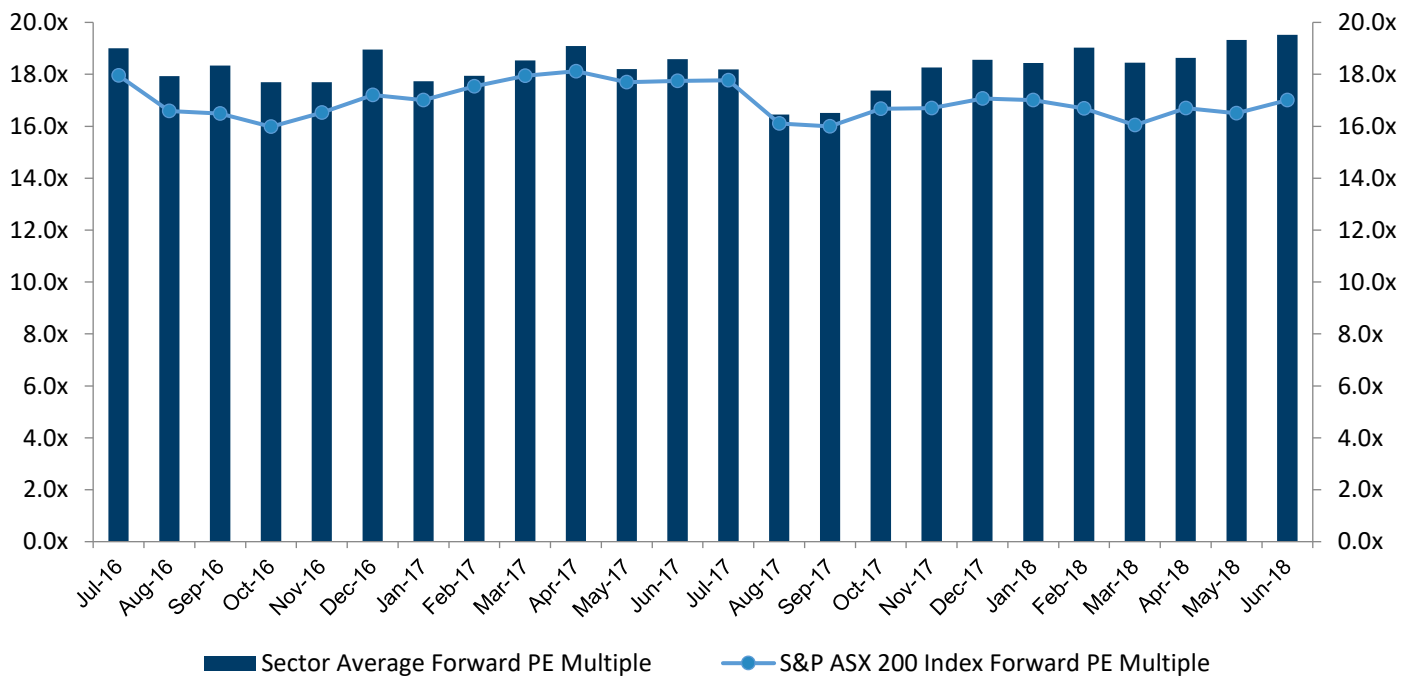


## Health & Medical

### Pricing Multiples

#### Forward Price Earnings Multiples (monthly to 30.06.18)<sup>1</sup> Source: FactSet Research Systems Inc.

Multiples in the Health & Medical sector have increased over the period. At the end of June, the sector traded on a forward PE of 19.5x, compared to the ASX200 on 17.0x.



#### Average Values and Trading Multiples (as at 18.07.18) Source: FactSet Research Systems Inc.

Subsector	Enterprise Value	EV/EBITDA FY2019	EV/EBIT FY2019	Price / Earnings FY2019
Healthcare Facilities	26,960	10.5x	14.6x	18.4x
Healthcare Equipment	12,161	12.9x	14.9x	12.4x
Healthcare Providers & Services	20,138	8.3x	10.3x	15.1x

Note: Multiples are based on the forward year of the unreported period, which for the majority of companies in the sector is FY2019. The constituents have been refreshed this month to ensure the sector groups and companies included are current.

<sup>1</sup> The InterFinancial Health & Medical Index set is an unweighted index comprising Health & Medical sector related companies trading on the Australian Securities Exchange (ASX). Estimates are sourced from FactSet Research Systems Inc.

## Merger & Acquisition News...



Value: \$43m

**Virtus Health**, an Australia-based assisted reproductive services provider, has acquired **Trianglen Fertility Clinic**, based in Copenhagen, for a maximum consideration of \$43.0m. On a cash free debt free basis, the deal represents a valuation of 8.1 times forecast normalised EBITDA for the financial year ending 30 June 2018. For **Virtus**, the deal is forecast to be EPS accretive in FY19.



Value: \$17m (plus \$3.3m earn-out)

**Capitol Health** has announced the acquisition of nine independent clinics from four different vendors in Western Australia for \$17m. These acquisitions provide **Capitol** with a strategic platform for geographic expansion into the Perth market. The clinic service offerings include sub specialty intervention and pain management, Cardiac CT, and general radiology and will bring well respected doctors into the **Capitol group**. Aggregate acquisition consideration is \$17.0m upfront on a cash and debt free basis and up to an additional \$3.3m payable under earn-out to the vendors over the first year of ownership, based on performance. The new clinics are expected to contribute \$16.5m in revenue and \$3.1m in EBITDA on an annual basis (based on FY19 forecast). This represents an EBITDA multiple of 5.5x rising to 6.5x if all earn-out conditions are met.



Value: Not disclosed

**Pathologie Trier**, a Germany-based anatomical pathology practices group, has been acquired by **Sonic Healthcare**. **Pathologie Trier** has annual revenue of \$32m and employs ~160 staff, including 24 pathologists. The group operates four laboratories in three West German cities, being Trier, Düsseldorf and Düren. The initial return on invested capital (ROIC) exceeds **Sonic's** cost of capital, and the transaction is earnings per share (EPS) accretive by 1-1.5%. ROIC and EPS accretion will increase as synergies, mainly relating to procurement and logistics, are realised. The value of the deal was not disclosed.



Value: \$189m (Rhapsody) & \$18m (Population Health)

**Orion Health Group**, the New Zealand-based global software company that delivers and sells healthcare software, has reached an agreement for private equity technology investor **HgCapital** to acquire majority ownership of **Orion Health's Rhapsody** business and to invest in **Orion Health's Population Health** business. **HgCapital** will acquire the **Rhapsody** business for a consideration of \$186m, subject to post completion working capital adjustment. Furthermore, **HgCapital** will acquire a 24.9% stake in the **Population Health** business for a cash consideration of \$18m. The investment will be made from **Hg's Mercury 2 Fund**.

## Under the Microscope..

- **Healthscope** could receive a surprise takeover offer from a Chinese consortium; **Beijing Capital Investment**. An approach could revive a bidding war for **Healthscope**, which has rejected a \$2.36 per share offer from **BGH Capital** and **AustralianSuper** and a \$2.50 per share offer from **Brookfield**.
- **Brookfield** may be preparing to withdraw from the race to buy **Gateway Lifestyle**, the Australia-based retirement home business. Brookfield has offered around \$2.24 per share for Gateway but after undertaking due diligence plans to walk. Rival **Gateway** bidder **Hometown America** said in an announcement that it would set its offer price at \$2.25 per share giving a value of \$707m.
- Australia-based residential community developer **Gateway Lifestyle** suitor **Brookfield**, the Canadian property group, has walked away from its bid. **Brookfield's** withdrawal may pave the way for rival suitor **Hometown America**, the Chicago, Illinois-based manufactured homes business, which lodged an \$713m offer for Gateway on 2 July. **Hometown** is now anticipated to ramp up its requests to access detailed financial information.
- **HGL Limited**, the diverse listed product marketing and supply chain business, is aggressively looking at more acquisitions in the medical sector in Australia and New Zealand. The company's acquisition criteria for standalone acquisitions includes targets that have revenue of \$20m-plus, and a return on investment above 15%. For bolt-on acquisitions, it will seek profitable targets with revenue of \$2m-plus.
- The owners of **Evolution Healthcare**, the Australia-based hospital owner, are planning to sell the business following inbound interest from possible buyers with value around \$300m.
- **Osprey Medical**, an ASX-listed Montana-based, medical device company, continues to see informal interest from potential suitors, but is focused on US sales to become cash flow-positive.

- **Clinuvel Pharmaceuticals** a Melbourne-based Australian developer of drugs for skin disorders, is stepping up its acquisition hunt as its lead compound, SCENESSE, starts a US Food and Drug Administration new drug application review.
- **CDH Investments** plans to relist takeover target **Sirtex Medical** on the Hong Kong stock exchange in three years. The Chinese private equity firm is targeting a three to five year exit from the Australian liver cancer treatment company with an independent Hong Kong listing being its preferred option. The news follows **Sirtex's** 14 June announcement it had entered into a binding scheme implementation deed with **CDH** and its strategic partner, **China Grand Pharmaceutical and Healthcare Holdings** to be fully acquired for \$33.60 in cash per **Sirtex** share, implying a fully diluted market capitalization for **Sirtex** of about \$1.9bn.
- **Ramsay Générale de Santé**, the 50.9% owned French subsidiary of **Ramsay Health Care** could face a bidding war for Sweden's **Capio**. It has been speculated that several European hospital operators and acute care businesses would likely be interested in **Capio**, which has rejected Ramsay's \$1.04bn takeover offer. Germany's **Fresenius** and France's **Elsan** are potential rival bidders.

If you are interested in specific information regarding mergers and acquisitions in the Health & Medical sector, please contact Sharon Doyle or David Hassum.

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This information has been sourced from the ASX, Mergermarket.com and various other public information sources. Forecasts are consensus forecasts sourced from FactSet Research Systems Inc.

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