



# Global Healthcare Advisors, LLC

*Building Leading Healthcare Companies*

## Bottom of the 4<sup>th</sup> in Healthcare Facilities and Services M&A Cycle

Vertical: Healthcare Facilities and Services, June 2015

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### Executive Summary

Global Healthcare Advisors (“GHA”) believes that many of the healthcare verticals that we track are currently about a third of the way through a protracted run in M&A activity.

We expect the following three business dynamics to continue to drive an increasing trend in M&A activity in the future:

- 1. Healthcare companies will continue to change their focus to growth, and profitability.** The favorable regulatory environment, specifically the SGR removal will trigger companies to focus on growth versus the recent past years, whereby the focus was on the regulatory environment, which forced companies to focus on “bracing the company for cost cuts.”
- 2. Consolidators are well positioned to acquire.** Individual companies and their aggregate balance sheets are robust and revenue and EBITDA is predicted to grow by Wall Street forecasters. Furthermore, GHA’s analysis shows that Interest Coverage is a leading indicator for M&A activity and this metric is set to improve in future. We have a detailed analysis of the Interest Coverage Ratio and the Debt to Equity Ratio for our “flagship” “GHA Healthcare Index” see more details in the body of this report.
- 3. Acquisitions across “all viable sectors” will continue to occur.** M&A transaction will continue, even if not traditionally a “core” or “strategic” sector for purposes of capturing more profits will continue to occur. GHA believes more and more strategics will arrive at this conclusion and drive more acquisitions. We examine the current competitive environment and how this has changed based on the higher profile acquisitions that have taken place over the past year. Our view would change if there were large downward revisions to industry forecasts driven by a large decline in demand and / or a negative change in the regulatory environment