



Global Healthcare Advisors, LLC

Proprietary Deal Flow for Healthcare M&A

Scanning for Opportunities in Diagnostic Imaging

Vertical: Diagnostic Imaging, October 2016

Author: Nathalie A. Rouzier

MIAMI OFFICE

333 SE 2nd Avenue
Suite 2000
Miami, FL 33131

PROFESSIONAL TEAM

Lawrence S. Carter
Senior Managing Director
lcarter@ghadvisors.net

Jason Laurent, CFA
Managing Director
jlaurent@ghadvisors.net

Nathalie A. Rouzier
VP, Research
nrouzier@ghadvisors.net

Josh Weber
VP, Business Development
jweber@ghadvisors.net

Julian Astrove
Analyst
jastrove@ghadvisors.net

Inna Pilipenko
Executive Assistant
ipilipenko@ghadvisors.net

ADVISORY BOARD

Frank Blair
Stanley B. Blaylock
Joel B. Braunstein
Brad Buxton
Martin Z. Craig
Timothy Dickman
Angus Duthie
Greg Guckes
Steven C. Straus

Executive Summary

Acquisition Environment: The diagnostic imaging industry remains highly fragmented with over 6,000 imaging locations across the United States. Sellers are driving acquisition multiples for freestanding centers, with marginal operators being acquired at 3-4x EBITDA. On the other hand, radiology groups tend to trade at a higher range of 6-10x EBITDA. 22 transactions were announced LTM, representing a 33% decrease from the previous period.

Diagnostic Imaging Market Analysis: The diagnostic imaging market in the US is estimated to produce \$18B in revenue. Although diagnostic imaging services are offered at a myriad of different locations, they are typically provided in hospitals, or in freestanding diagnostic facilities, or by mobile imaging providers who transport their equipment to hospitals and clinics. Approximately 60% of services occur on-site at hospitals whereas 40% occur in non-hospital settings.

Growth Factors: The diagnostic imaging industry is experiencing significant growth given that (i) the aging US population increases the occurrence of medical conditions that require imaging for diagnoses, (ii) the ACA enables a greater number of people to reasonably afford diagnostic imaging services, and most notably, (iii) the improvements in imaging technology has catapulted the practice of diagnostic imaging into one of the more important tools to diagnose disease, monitor treatment, and ensure recovery.

Teleradiology: Teleradiology is a component of the broader radiology industry where images are transmitted, stored, and analyzed remotely. The teleradiology market is expected to reach \$3.8B in 2019 and is projected to more than double over the next five years. The US radiology industry is experiencing a shift toward the teleradiology model of remote diagnoses, consultation, and monitoring of patients.

Reimbursement: Both government and private payors have steadily decreased reimbursement for diagnostic imaging services. A number of legislations in the US, including but not limited to the ACA, the Health Care and Education Reconciliation Act of 2010, the American Taxpayer Relief Act of 2012, the Protecting Access to Medicare Act of 2014, the Consolidated Appropriates Act of 2016, and the Stark Law have impacted reimbursement for diagnostic imaging centers.