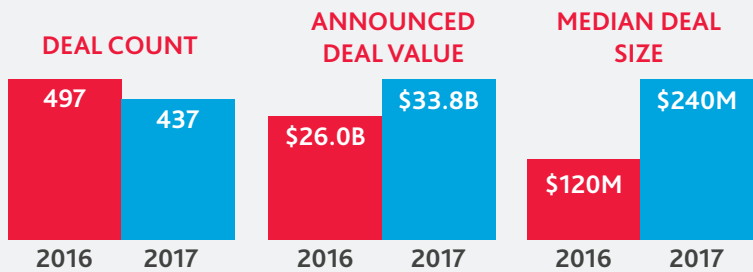


PERSPECTIVE IN HEALTHCARE

YEAR IN REVIEW FOR PRIVATE EQUITY BUYOUTS



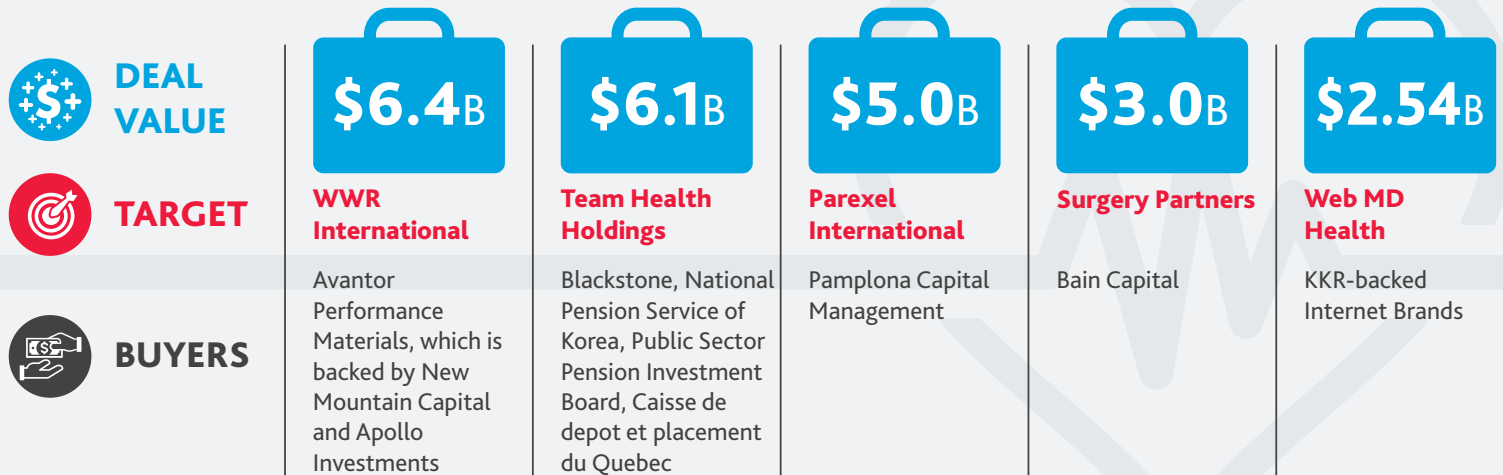
The number of completed U.S. healthcare deals involving a private equity buyer or seller was down in 2017 compared to the previous year, but deal value saw an increase.



This trend is in line with what's been seen in overall M&A activity across all industries. According to PitchBook, the median transaction size has seen a 66% jump between 2016 and 2017. The increase in deal sizes is caused by a combination of:

- ▶ skyrocketing valuations
- ▶ add-on acquisitions
- ▶ large cash reserves on corporate balance sheets
- ▶ vast amounts of dry powder in private equity funds

FIVE LARGEST U.S. LEVERAGED BUYOUTS OF 2017

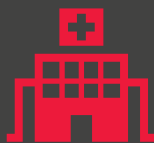


All of these, except for the Surgery Partners acquisition, were take-private deals.
Source: PitchBook database

THREE PREDICTIONS FOR U.S. HEALTHCARE INDUSTRY

U.S. for-profit hospitals

will see same-facility EBITDA growth of 2.5% to 3.0%, as the movement of patients to lower-cost settings will constrain inpatient volumes, while rising labor and other expenses will pressure margins. However, increases in reimbursement rates from private insurers will help offset reimbursement pressures from government payers.



Net prices

on branded drugs in the U.S. will rise despite growing price pressures.



U.S. medical products and device makers

will see EBITDA growth of 3.0% to 3.5%, with new products, synergies from large mergers and acquisitions, and an aging population aiding growth. Offsetting factors include weak inpatient volumes, and the continuing drive to value-based reimbursement approaches that will pressure pricing.



Source: Moody's



People who know Healthcare, know BDO.

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