

Coker Capital's Healthcare Services Newsletter – April 2020

In this issue of the Coker Capital Healthcare Services Newsletter, we provide an update on COVID-19's impact on the economy and markets as well an update on Healthcare Services activity for the 1st quarter of 2020. In addition, we spotlight the M&A driven changes of leading managed care consolidators since the passage of the Affordable Care Act (ACA) in 2010.

COVID-19 Market Impact

- Business activity across the globe has collapsed due to the Coronavirus pandemic, as governments announced shelter-in-place, stay-at-home orders, and forced all nonessential businesses to close

Refer to Pages 3 – 6 for additional detail

Market Performance

- The S&P Healthcare Services Select Index⁽¹⁾ performed generally in-line with the broader market in Q1 2020, decreasing 20.8% versus 20.0% and 14.2% decreases for the S&P 500 and NASDAQ, respectively
 - All but one sub-sector experienced negative returns in Q1 2020. Hospice and Home Care, +0.3%, was the best performing sub-sector in Q1 2020 while Acute Hospitals, (38.8%), was the worst

Refer to Pages 8 – 9 for additional detail

Valuation Update

- The Firm Value (FV) / 2020P EBITDA multiple for the 90 companies in Coker Capital's healthcare services comp set was 9.6x as of 3/31/2020
 - This compares to a 12.4x, 10.1x, and 11.1x valuation for the same Comp Set as of 12/31/2019, 12/31/2018, and 12/31/17 respectively
 - Public company valuations remain in flux as analysts and companies struggle to project the impact of the current economic crisis on 2020 expected results

Refer to Page 10 for additional detail.

M&A Activity

- Middle Market M&A volume and transaction counts have declined in the 1st quarter 2020 due to COVID-19 related uncertainties. Activity levels for Q1 2020 were materially lower than 2016-2018 levels, and, on an annualized basis, is on track for the worst year since 2010.

Refer to Page 6 for additional detail

Managed Care Driving Consolidation Across Healthcare

- In this edition of the Newsletter, we review the M&A activity of leading managed care consolidators since the 2010 passage of the Affordable Care Act (ACA) and spotlight valuation trends across sub-sectors since this time.

Refer to Pages 12 – 24 for additional detail

Trading Comps

- Refer to Pages 26 – 29 for detailed trading comps by sub-sector for the 90 companies in Coker Capital's healthcare services comp set*

April, 2020

Coker Capital Advisors provides mergers and acquisitions advisory services to middle market healthcare companies throughout the United States. Coker Capital Advisors operates from offices in Atlanta, Austin, Charlotte, and New York. Coker Capital operates as a division of Fifth Third Securities, Inc. ("Fifth Third")

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(1) S&P Capital IQ based on market capitalization weighted index value, as of market close 3/31/2020

COVID – 19 Market Impact

COVID-19: Macroeconomic Impact

Simultaneous Risks in the Real Economy & Financial System

Supply-Side Effects ^[1]

The COVID shock uniquely raises liquidity and capital risks in both the financial system and real economy

	Financial System	Real Economy
Liquidity	Liquidity problems hamper credit intermediation and investment	Healthy households and companies face severe cash-flow problems, hampering investments
Capital	Capital problems shut credit channel, damaging capital formation and ultimately growth	Damaged household and company balance sheets cripple investment and ultimately growth

GDP Growth Estimates ^[2]

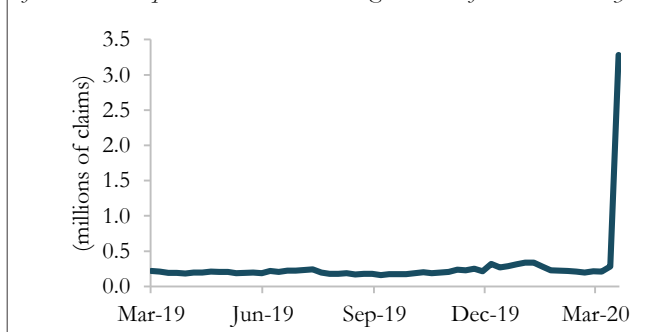
GDP growth estimates vary significantly

Bank	Date	Q1 Est	Q2 Est
Goldman Sachs	3/31	(9%)	(34%)
Deutsche Bank	3/30	(2.2%)	(33%)
JPMorgan Chase	3/25	(10%)	(25%)
Wells Fargo	3/25	1.2%	(14.7%)
Morgan Stanley	3/22	(2.4%)	(30.1%)
Bank of America	3/20	0.5%	(12%)
Citigroup	3/20	(0.5%)	(12%)
Credit Suisse	3/20	(1.5%)	(12%)
UBS	3/20	(2.1%)	(9.5%)

Impact of Rising Unemployment on Consumer Sentiment

Jobless Claims ^[3]

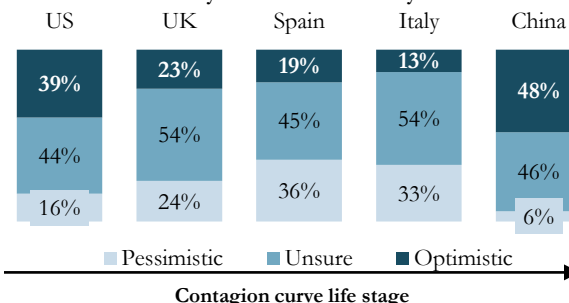
Jobless claims rose by over 3 million during the week ending March 21 from the week prior; this marked the highest level of claims in history



Consumer Sentiment ^[4]

Consumer optimism varies by country, but is typically higher at the start and end life stages of the contagion curve

Confidence in Country's Economic Recovery After COVID-19



Broad Impact on the Economy

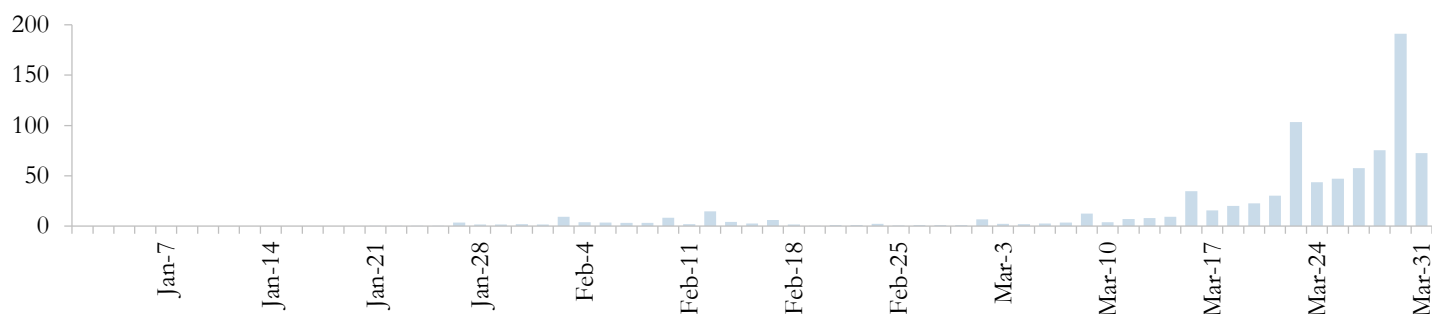
- Measures imposed by the Federal and local governments to prevent overwhelming the U.S. healthcare system have caused a material slow-down in economic activity
 - Key measures include social distancing, stay-at-home/shelter-in-place and cancellations of large gatherings
- Estimates for Q1/Q2 vary widely, though it is likely that the U.S. economy will contract meaningfully while unemployment spikes
 - Recent estimates reflect more aggressive declines in Q2 than older estimates
 - Record 3.3 million jobless claims during the week of March 14 – 21, 2020
- Most industries have been affected, with Airlines, Travel, Leisure & Hospitality and Retail most impacted

Potential Spillover to Financial Markets

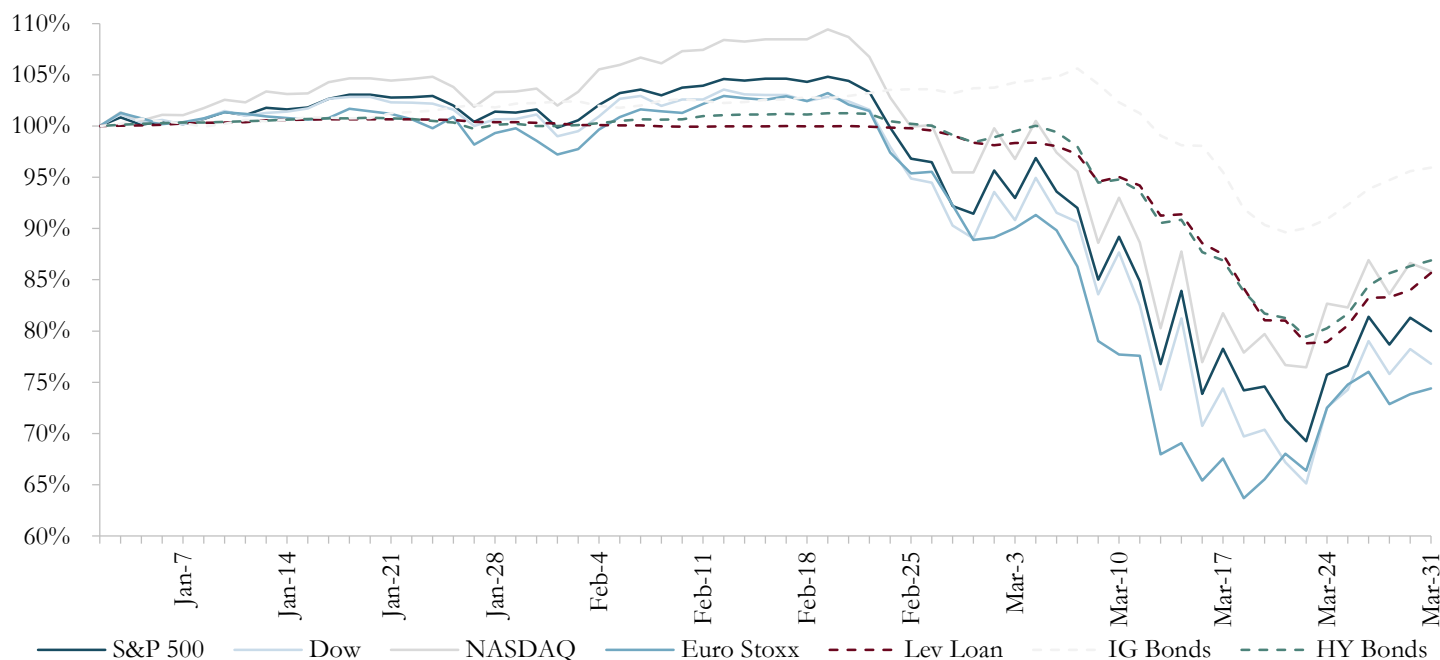
- The Federal Reserve has acted aggressively to stabilize financial markets
 - Cut the Federal Funds Rate twice, most recently to 0% - 0.25%
 - Grew its balance sheet to \$5.25+ trillion through direct purchases of commercial paper, Treasuries and commercial MBS
- Federal Government intervention, including the passage of the CARES Act, stabilized markets and the VIX during late March
 - The VIX peaked at 82.7 on March 16 but declined to the low-50's at quarter-end

COVID-19 Adversely Impacting All Financial Markets

Number of Confirmed COVID-19 Cases (000's)



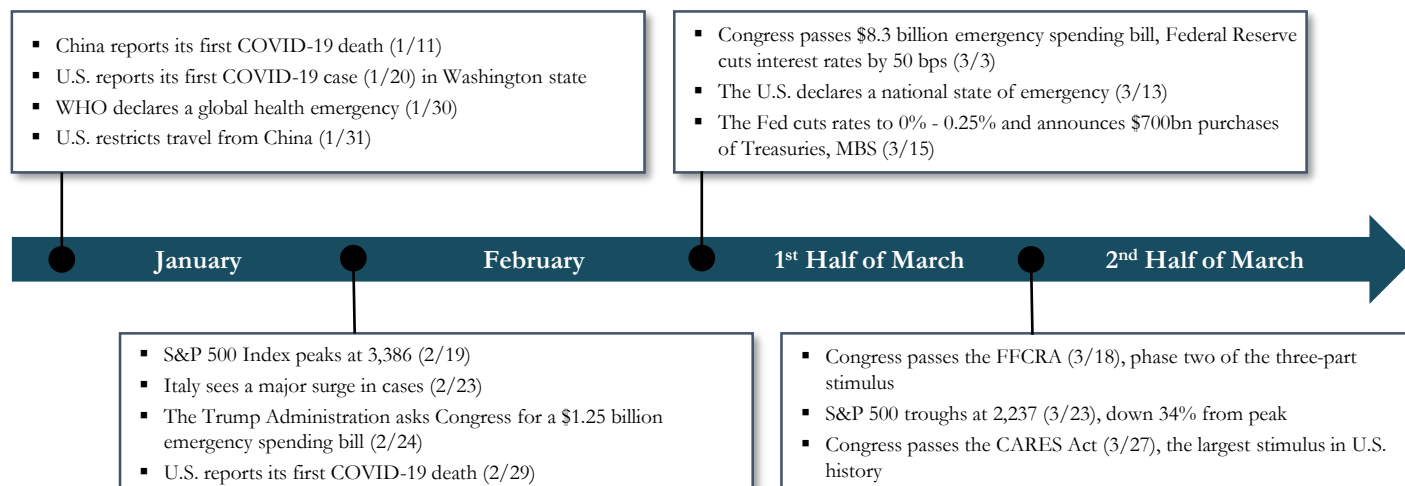
Debt & Equity Market Relative Performance



Debt Benchmarks				Index Levels				S&P Sector Performance			
Benchmark	12/31/19	3/31/20	Change	Index	12/31/19	3/31/20	% Change	Benchmark	12/31/19	3/31/20	% Change
1M LIBOR	1.76%	0.99%	(77 bps)	S&P 500	3,231	2,585	(20.0%)	Cons. Disc.	986	793	(19.6%)
10 Yr UST	1.92%	0.70%	(122 bps)	Dow	28,538	21,917	(23.2%)	Cons. Staples	647	560	(13.4%)
IG Bond Yield	2.90%	3.69%	79 bps	NASDAQ	8,973	7,700	(14.2%)	Energy	456	223	(51.1%)
IG Bond Spread	101	305	204 bps	Euro Stoxx	3,745	2,787	(25.6%)	Financials	511	346	(32.3%)
HY Bond Yield	5.41%	9.24%	383 bps	Lev Loan	96.72	82.85	(14.3%)	Health Care	1,188	1,033	(13.1%)
HY Bond Spread	360	877	517 bps	IG Bonds	3,249	3,117	(4.1%)	Industrials	688	499	(27.4%)
Lev Loan	5.36%	8.24%	288 bps	HY Bonds	1,411	1,226	(13.1%)	Info. Tech.	1,611	1,414	(12.2%)
				Crude Oil	61.06	20.48	(66.5%)	Materials	386	283	(26.6%)
				Volatility Index	13.78	53.54	288.5%	Real Estate	240	193	(19.8%)
								Telecom Svcs.	182	150	(17.2%)
								Utilities	328	282	(14.2%)

U.S. Federal Government Response & Stimulus Packages

Timeline of Key Milestones & U.S. Federal Government Response



Spotlight on the Coronavirus Aid, Relief & Economic Stimulus (CARES) Act

Individual Stimulus

Measures aimed at keeping people engaged in the economy

Direct Cash Payments	\$300 billion in direct payments to individuals, couples and families
Extra Unemployment	\$260 billion to enhance assistance, eligibility and benefits
2019 Tax Returns	Deadline extended to July 15 th , while those who already filed will still receive any refunds owed
Student Loan Relief	Employers can provide up to \$5,250 in tax-free student loan repayment benefits
Insurance Coverage	Requires all private insurance plans to cover COVID-19 treatments and vaccine and makes all coronavirus tests free

Business Stimulus

Provides loans and operating relief for all businesses

Emergency Grants	\$10 billion for grants of up to \$10,000 to provide emergency funds for small businesses to cover immediate operating costs
Forgivable Loans	\$350 billion allocated for the Small Business Administration (SBA) to provide loans of up to \$10 million per business
Existing Loan Relief	\$17 billion to cover six months of payments for small businesses already using SBA loans
Tax Credit	Fully refundable tax credit for businesses of all size that are closed or distressed to help them keep workers on the payroll

Minor Initial Measures Passed in Early March

- \$8.3bn emergency spending package
 - R&D for vaccines, support for state and local government and assistance for small businesses
- Subsequent passage of the Families First Coronavirus Response Act ("FFCRA")
 - Requires certain employers to provide their employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19

Comprehensive Legislation & \$2.2 Trillion Stimulus, the Largest in U.S. History

- In late March, Congress passed the CARES Act in overwhelmingly bipartisan effort
- The CARES Act provides for \$2.2 trillion with broad uses (detailed to the right)
- The stimulus is intended to stabilize the economy by providing near-term relief to individuals whose jobs have been lost (permanently or temporarily) while enabling employers to continue covering basic operating costs, incl. payroll, rent, etc.

What Next?

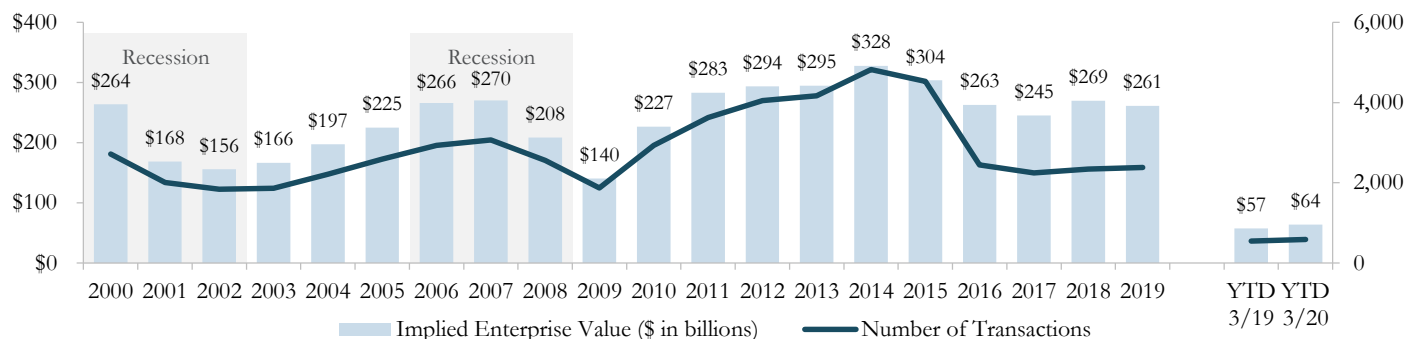
- As the Trump Administration extended its social distancing guidelines through the end of April, Congress has already initiated negotiations around a fourth stimulus
- The stimulus may aim for so-called 'front-line' responders, increased unemployment benefits and assistance to state governments

Uncertain Impact of COVID-19 on the M&A Market

Entering its 11th year of a bull market, the M&A market now faces unprecedented levels of uncertainty due to COVID-19

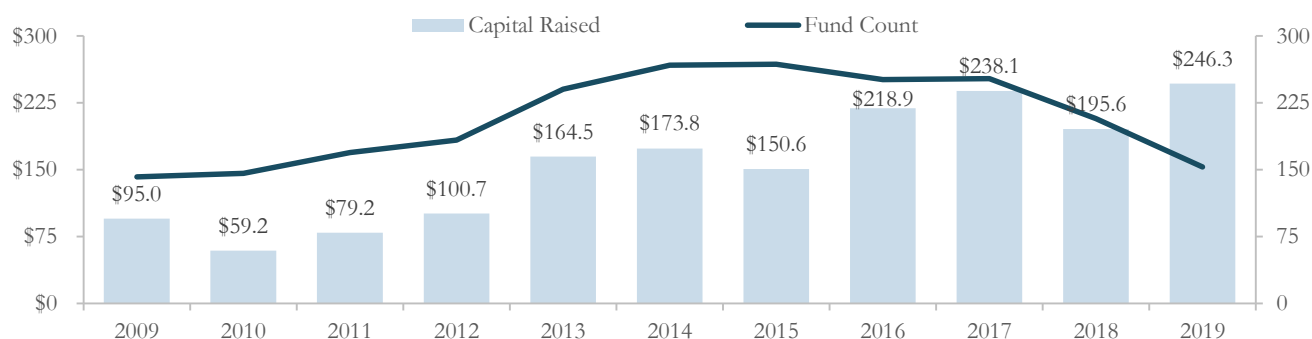
U.S. Middle Market M&A Activity

- U.S. dealmaking activity registered another healthy year in 2019, led by record-setting private equity activity
- Private equity fundraising in 2019 set records for capital raised (> \$225 billion), despite fewer funds raising capital (~150)
- 1Q20 reflected increased deal activity over 1Q19, though 2Q20 is expected to see a significant impact from COVID-19



Private Equity Capital Raised & Fund Count ⁽¹⁾

- Private equity firms are raising fewer, larger funds, and struggling to deploy capital at the same pace at which it is raised



Impact on Sellers

- Reduced cash flow may create near-term liquidity strain; prolonged economic downturn increases the likelihood of financial distress
- All sectors impacted, with acute challenges in certain sectors (ex. hospitality)
- Valuation multiples likely to decline in the near-term though medium/long-term impact is uncertain
- Potential for increased long-term M&A activity as business owners seek to de-risk, diversify net worth

Impact on Buyers & Investors

- Likely delays in portfolio exits, capital deployment and fundraising activities
- While PE-owned businesses may have reduced financing access, sponsors have been preparing for a recession and liquidity is generally available
- Potential to be opportunistic if funds permit flexible investments (ex. junior debt and structured equity)
- Assets likely available for a discount in the near-term though medium/long-term impact is uncertain

(1) As of November 2019

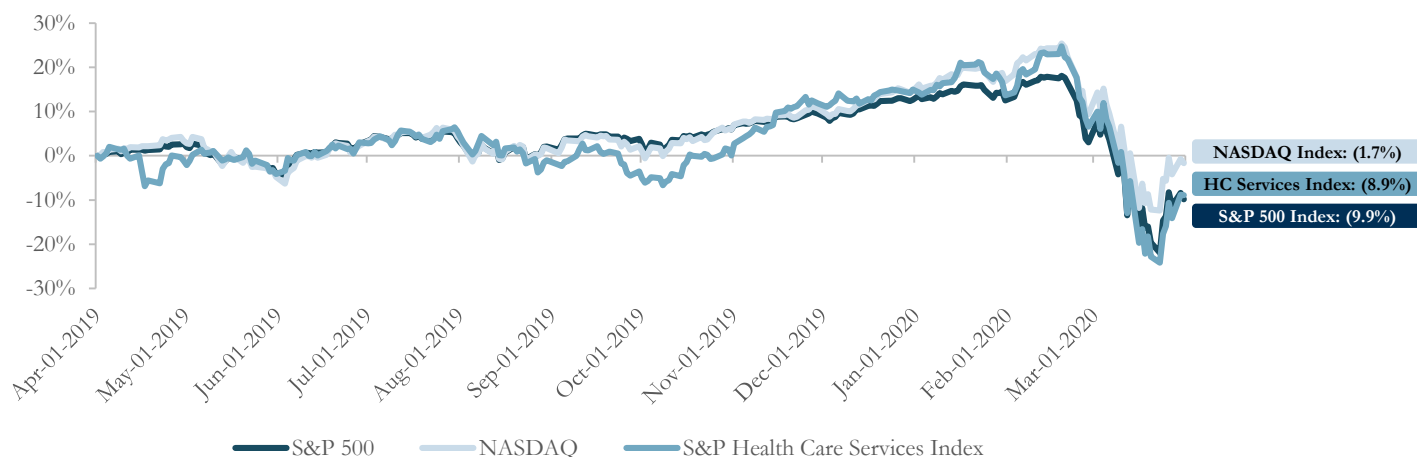
Source: Pitchbook, Preqin, and S&P Capital IQ

Healthcare Services Market Update

Healthcare Services Market Update

Healthcare Services Index Stock Performance

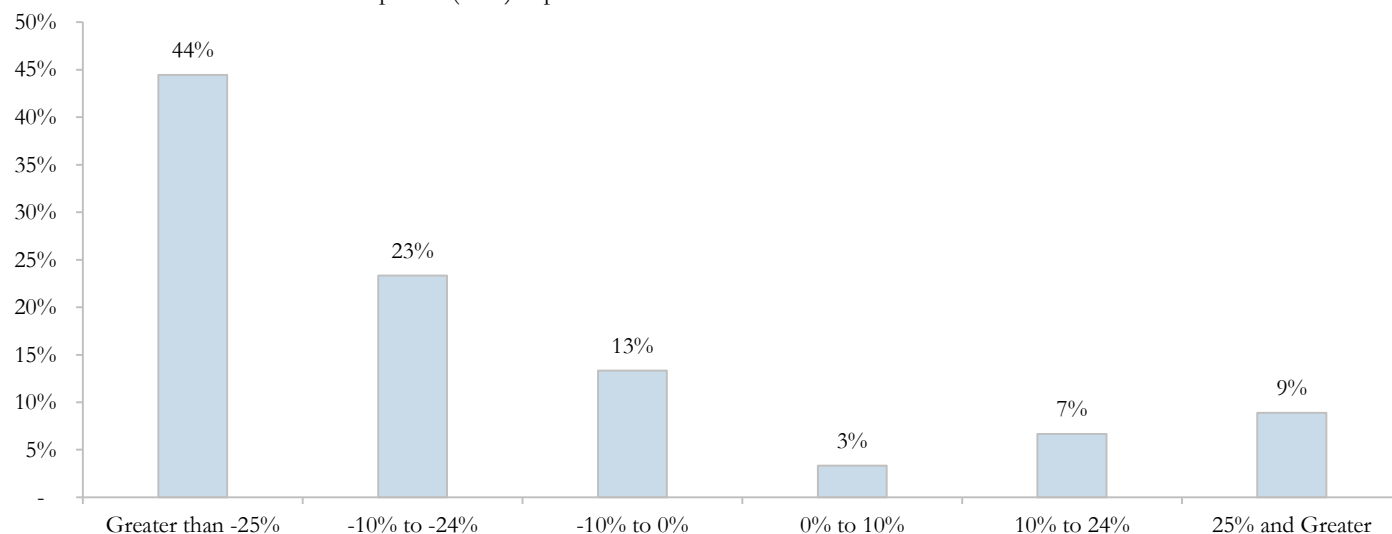
- The S&P Healthcare Services Index performed generally in-line with the broader market indices over the last twelve months ending March 31, 2020. The Index decreased 8.9% compared to a 9.9% decrease and a 1.7% decrease for the S&P 500 and NASDAQ, respectively
- In the 1st Quarter 2020, the Index again, performed generally in-line with the broader market declining 20.8% verses a 20.0% and 14.2% decline for the S&P 500 and NASDAQ, respectively



	Q2 2019	Q3 2019	Q4 2019	Q1 2020
S&P 500 Index	2.6%	0.4%	8.5%	(20.0%)
NASDAQ Index	2.3%	(1.1%)	12.2%	(14.2%)
HC Services Index	3.0%	(6.2%)	19.2%	(20.8%)

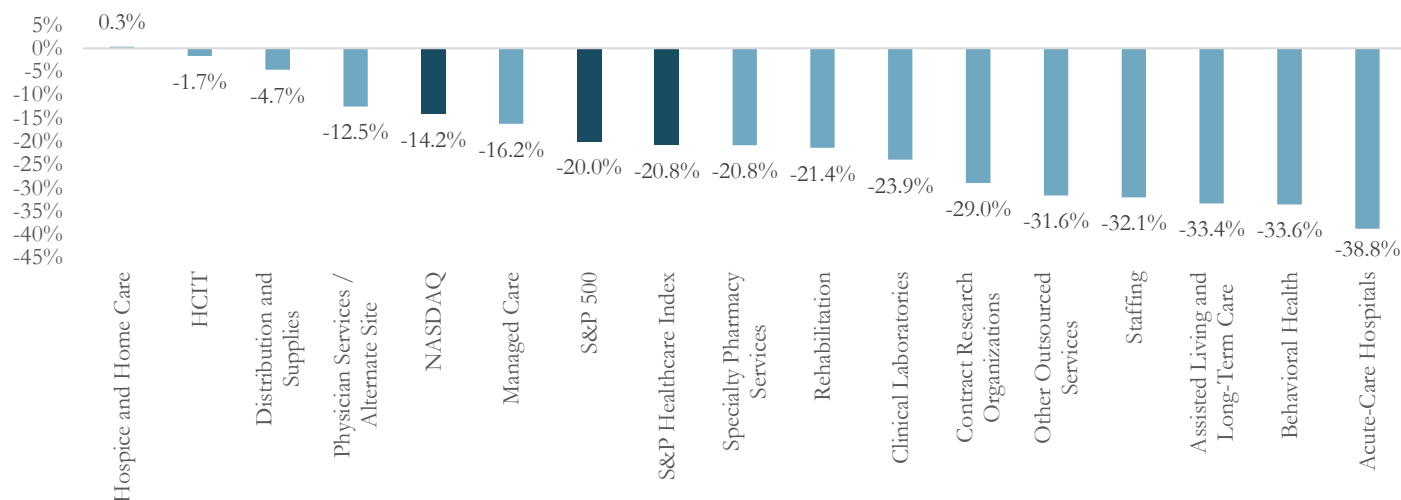
Healthcare Services Q1 2020 Company Stock Performance

- Coker Capital's healthcare services comp set includes 90 companies across 14 sub-sectors. 17 of the 90 companies (19%) have produced positive returns in 2020 YTD while 73 companies (81%) realized a decline. 8 companies (9%) experienced gains in excess of 25% while 40 companies (44%) experienced declines in excess of 25% in 2020 YTD



Healthcare Services Sub-sector Performance – Q1 2020

- Individual sub-sector performance drastically deteriorated in Q1 2020 as COVID-19 fears took a toll on the global markets. Hospice and Home Care (+0.3%) was the only sub-sector to register a positive return in the quarter, while Assisted Living and Long-Term Care (33.4%), Behavioral Health (33.6%), and Acute-Care Hospitals (38.8%), were the sub-sectors most impacted by the upheaval.



Top-Ten Q1 2020 Performers

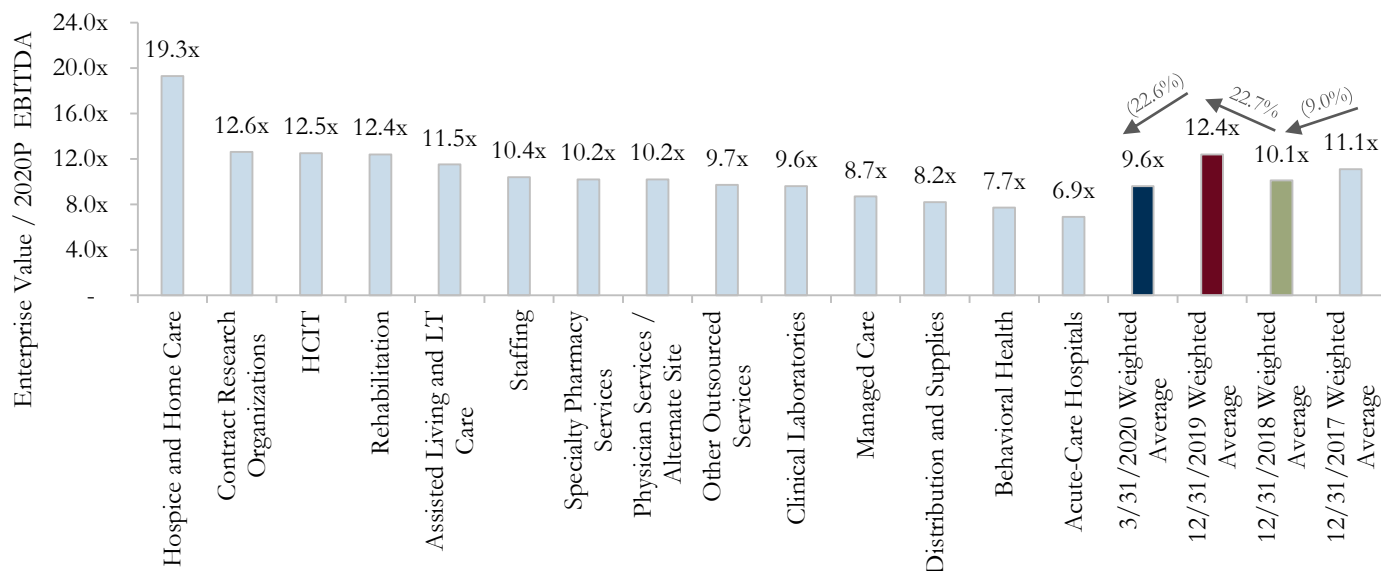
Company	Sub-Sector	Ticker	% Change
Teladoc Health	Consumer Focused HCIT	TDOC	85.2%
Owens and Minor	Distribution and Supplies	OMI	77.0%
eHealth	Payor Focus HCIT	EHTH	46.6%
iRhythm Technologies	Provider Focus HCIT	IRTC	19.5%
Benefityt Technologies, Inc.	Consumer Focused HCIT	BFYT	16.1%
Community Health Systems	Acute-Care Hospitals	CYH	15.2%
Livongo	Consumer Focused HCIT	LVGO	13.8%
Veeva Systems	Other HCIT	VEEV	11.2%
Amedisys	Hospice and Home Care	AMED	10.0%
AmerisourceBergen	Distribution and Supplies	ABC	4.1%

Bottom-Ten Q1 2020 Performers

Company	Sub-Sector	Ticker	% Change
Capital Senior Living	Assisted Living and Long-Term Care	CSU	(81.2%)
Tivity Health	Other Outsourced Services	TVTY	(69.1%)
Tenet Healthcare	Acute-Care Hospitals	THC	(62.1%)
Benefit Focus	Consumer Focused HCIT	BNFT	(59.4%)
Surgery Partners	Physician Services / Alternate Site	SGRY	(58.3%)
Mednax	Physician Services / Alternate Site	MD	(58.1%)
American Addiction Centers	Behavioral Health	AACH	(57.3%)
The Pennant Group	Assisted Living and Long-Term Care	PNTG	(57.2%)
Brookdale Senior Living	Assisted Living and Long-Term Care	BKD	(57.1%)
Quorum Health	Acute-Care Hospitals	QHC	(52.8%)

Healthcare Services Sub-sector Valuation Update

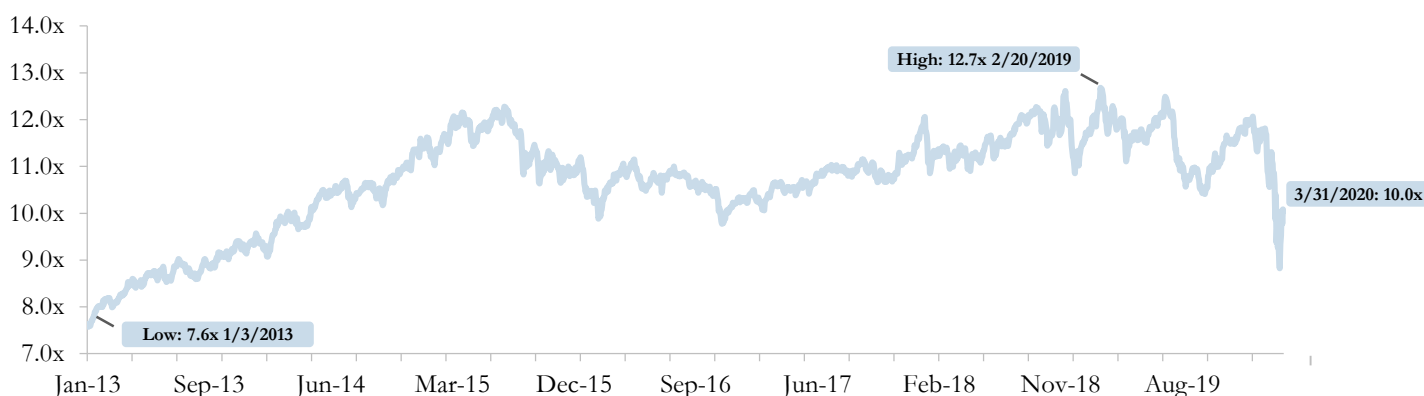
- Below is a chart that compares current Firm Value / 2020P EBITDA for each of the 14 Healthcare Services sub-sectors. The sectors are ranked from left to right by highest valuation
- The overall sector FV / 2020P EBITDA across all sub-sectors is 9.6x ranging from Hospice and Home Care at the high end (19.3x) to Acute-Care Hospitals at the low end (6.9x)
 - Public company valuations remain in flux as analysts and companies struggle to project the impact of the current economic crisis on 2020 expected results



	Hospice and Home Care	Contract Research Organizations	HCIT	Rehabilitation	Assisted Living and LT Care	Staffing	Specialty Pharmacy Services	Physician Services / Alternate Site	Other Outsourced Services	Clinical Laboratories	Managed Care	Distribution and Supplies	Behavioral Health	Acute-Care Hospitals
12/31/2019	22.8x	15.8x	14.2x	12.6x	16.8x	13.3x	10.4x	11.4x	11.7x	12.0x	10.4x	8.8x	10.3x	9.0x
3/31/2020	19.3x	12.6x	12.5x	12.4x	11.5x	10.4x	10.2x	10.2x	9.7x	9.6x	8.7x	8.2x	7.7x	6.9x
Change	(15%)	(20%)	(12%)	(1%)	(31%)	(22%)	(2%)	(10%)	(17%)	(20%)	(16%)	(7%)	(25%)	(23%)

Healthcare Services Firm Value / LTM EBITDA January 2013 – March 2020

- The chart below tracks the Firm Value / LTM EBITDA for all 90 companies in our Healthcare Services comp set from 1/1/2013 through 3/31/2020
 - The Healthcare Services sector traded at 10.0x FV / LTM EBITDA as of 3/31/2020. The sector reached its peak at 12.7x on 2/20/2019 and reached its trough 7.6x on 1/3/2013



Managed Care Driving Consolidation Across Healthcare

Introduction

The Managed Care sector has changed more significantly than perhaps any other sector of healthcare services since the Affordable Care Act was passed on March 21, 2010. At that time, 15 public Managed Care Organizations (MCO) comprised our Coker Capital MCO index representing an aggregate ~\$115 billion in market capitalization and trading for ~5.5x Firm Value / EBITDA. Fast forward to today, this index now includes 8 public companies, represents over \$500 billion in market capitalization and trades at 8.7x Firm Value / EBITDA.

Over the past ten years, the healthcare industry has changed dramatically as organizations across the sector have looked to adapt to a rapidly changing environment where constituents face pressures to deliver enhanced clinical care while lowering costs. Few sectors have benefited as greatly as Managed Care from growing US healthcare costs, strong employment trends and the implementation of the Affordable Care Act (ACA). Leading MCOs have emerged as aggressive consolidators and have diversified away from commercial underwriting risks while focusing on positioning for success within growing government verticals and adding additive and complementary service lines to deliver more holistic and diversified care solutions.

Since the passage of the ACA, public MCOs have experienced an average increase of 433% in stock prices and a 58% increase in multiples (as compared to a 134% increase in the S&P Healthcare Services Index and an average 37% increase in valuation for all other healthcare services indices). While MCOs have been successful in creating value through acquisitions in recent years, the sector is facing more uncertainty today than at any time since the pre-ACA implementation, driven largely by both the current economic crisis and political environment.

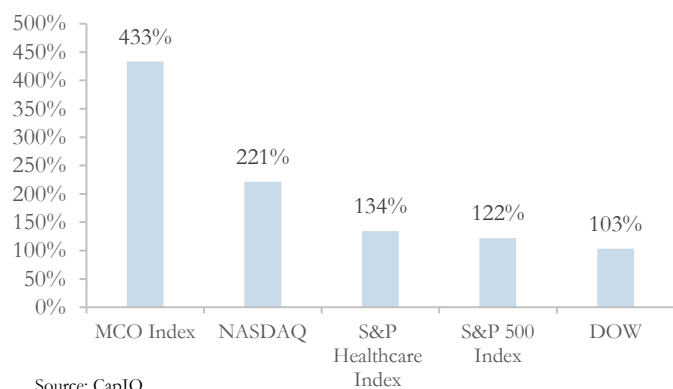
In this edition of the Newsletter, we review the dramatic change in profile of the largest consolidators in our public MCO index since the passage of the ACA. Specifically, we review how the business mix and revenue and profitability profile across six leading companies (i.e. UNH, CI, CVS, ANTM, HUM, CNC) has changed during this time and analyze the impact that M&A has had in driving change across these organizations.

Background

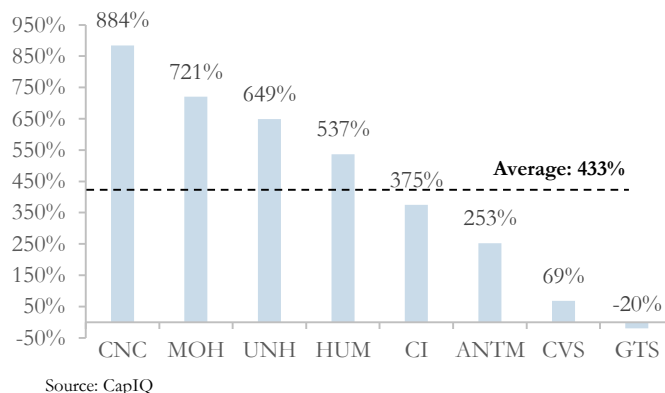
Since the passage of the ACA, public MCOs have evolved and diversified their businesses dramatically. Prior to the onset of the current economic crisis, the sector had benefited from a strong economy with high employment. Moreover, the leading public MCOs had accelerated their acquisition pace to drive growth, diversify services and, importantly, position for success in an environment where stakeholders across healthcare are focused on enhancing clinical outcomes while lowering the cost curve. These acquisitions have driven a dramatic market shift towards greater care coordination and value-based care, and leading MCOs have aligned themselves for the evolving health care landscape with a number of emerging models, including: 1) UNH/HUM's provider-owned model; 2) CVS-AET's retail-owned model; and 3) CI-ESRX's model based on a partnership (rather than ownership) with providers to create more aligned networks.

Managed Care Market Update

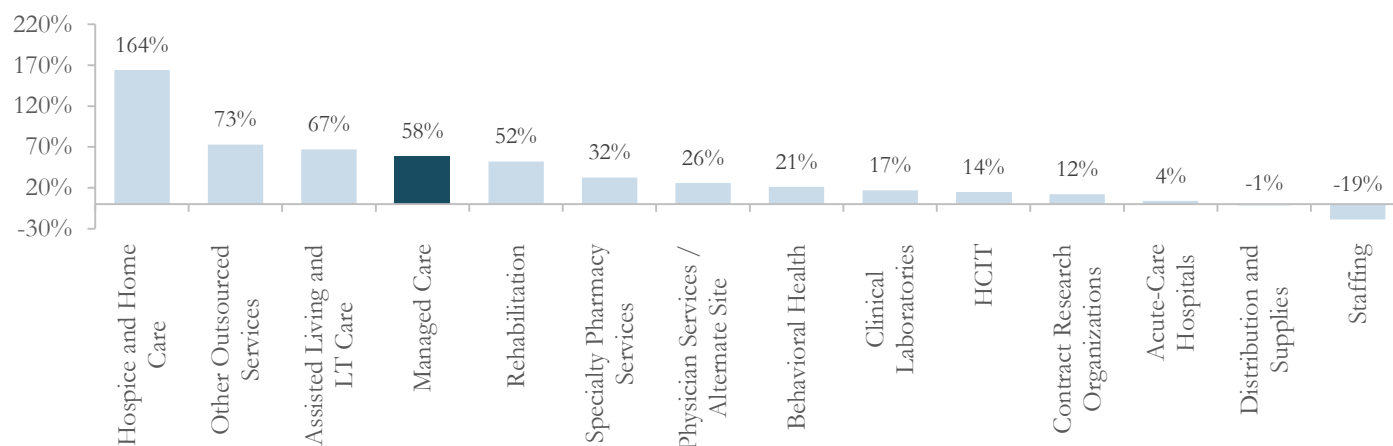
Index Performance since 3/21/2010



MCO Performance since 3/21/2010



Healthcare Services Sub-sector Valuation Appreciation / (Depreciation) since March 2010



Source: CapIQ

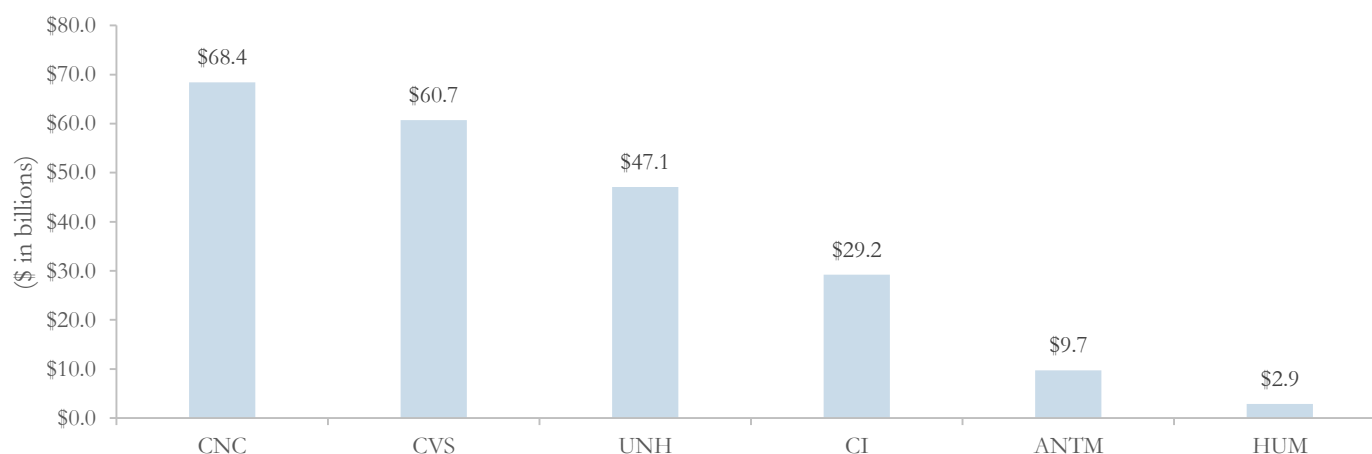
	Hospice and Home Care	Other Outsourced Services	Assisted Living and LT Care	Managed Care	Rehabilitation	Specialty Pharmacy Services	Physician Services / Alternate Site	Behavioral Health	Clinical Laboratories	HCTT	Contract Research Organizations	Acute-Care Hospitals	Distribution and Supplies	Staffing
3/21/2010	7.3x	5.6x	6.9x	5.5x	8.2x	7.7x	8.1x	6.4x	8.3x	10.9x	11.3x	6.6x	8.3x	12.8x
3/31/2020	19.3x	9.7x	11.5x	8.7x	12.4x	10.2x	10.2x	7.7x	9.6x	12.5x	12.6x	6.9x	8.2x	10.4x
Change	164%	73%	67%	58%	52%	32%	26%	21%	17%	14%	12%	4%	(1%)	(19%)

Source: CapIQ

A significant driver of this performance has been an aggressive approach to M&A. The leading public MCOs are some of the largest companies across the healthcare landscape and they have emerged as consolidators of a range of different businesses beyond their traditional business model including providers, pharmacy services, healthcare IT and others.

Since 2010, the largest six public MCO consolidators have spent over \$200 billion in cash on acquisitions to drive scale, diversify, and position themselves for success. While this number understates the total acquisition level of these businesses (i.e. it excludes equity issued to fund portions of some acquisitions), it does illustrate the magnitude of activity that they have driven in recent years.

Cash Paid for Acquisitions (2010-2019)



Source: Public Filings

On the following pages we profile how these leading consolidators have changed their financial and business line profiles since the passage of the ACA.

Centene

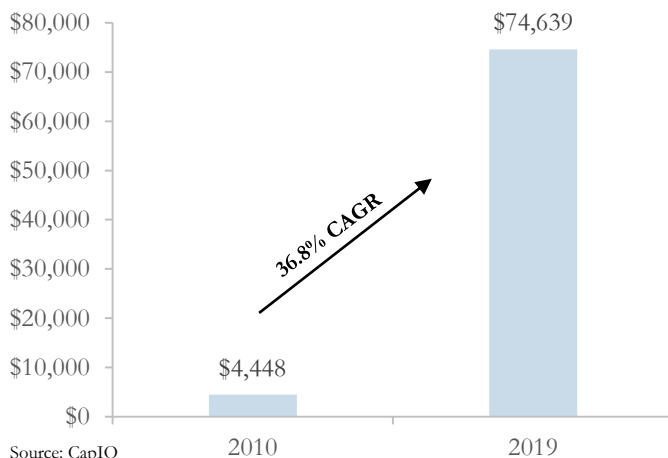
Overview

Centene (NYSE: CNC) is the largest Medicaid managed care organization in the country and also has a leading market share in the individual exchange market. While the Company's operations have historically been highly concentrated within the Medicaid business, Centene has recently expanded into additional government programs, international markets, and healthcare services. The Company also contracts with other governmental and commercial organizations to provide specialty services, including behavioral health management, correctional healthcare services, dental benefits management, in-home health services, managed vision, pharmacy benefits management, and specialty pharmacy. Since 2010, Centene has grown revenue by 36.8% annually with acquisitions accounting for over a third of this growth.

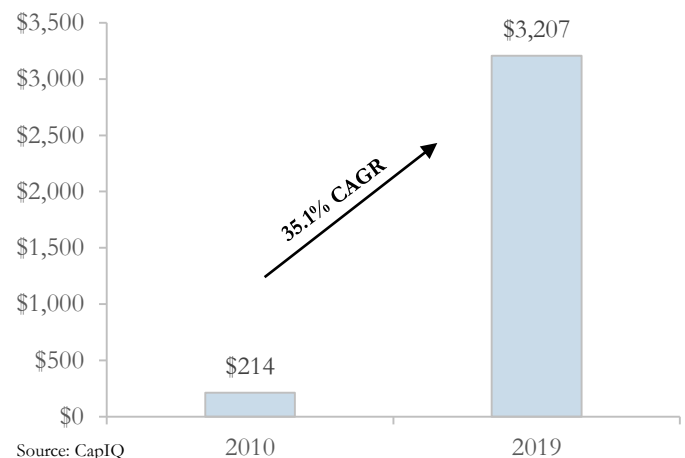
Centene has diversified its business by expanding its Specialty Services revenue, a financially small but increasingly key component of its strategy and a complement to its core managed care business. The Specialty Services segment includes **(a) Evolve brand** (e.g. Health, Triage, Wellness, and Disease Management Services, Pharmacy Solutions, Management Services, Vision and Dental Services), **(b) Health Care Enterprises** (e.g. Clinical Healthcare, Data Analytics, Home-Based Primary Care, Third Party Administration) and **(c) Other Specialty Companies** (e.g. Care Management Software, Correctional Healthcare Services and Federal Services).

Management's strategy is to further diversify the Company (products and markets, including more international), add technology capabilities, and leverage local market strength. M&A is expected to continue to be a major driver of this strategy and Centene has particular interest in advancing its core business, enhancing its technology, and continuing to selectively buy provider assets.

Revenue (\$mm)

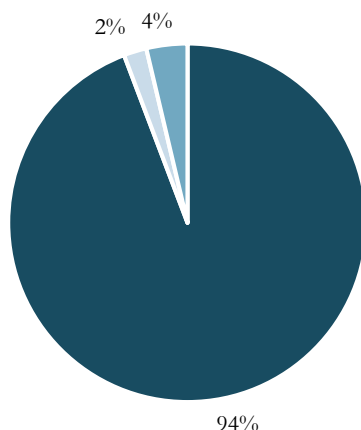


EBITDA (\$mm)



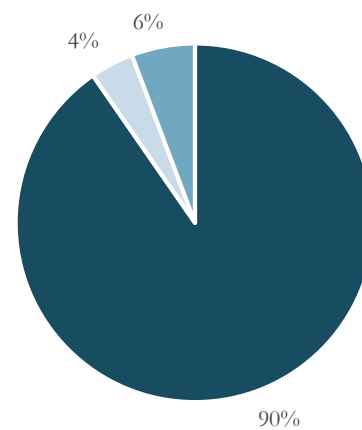
2010 Revenue Mix

■ Premium ■ Service ■ Premium Tax



2019 Revenue Mix

■ Premium ■ Service ■ Premium Tax



Coker Capital Advisors Healthcare Services Newsletter – April 2020

While Centene's largest acquisitions (e.g. WellCare Healthcare Plans - \$17.3 billion, HealthNet - \$6 billion and Fidelis - \$3.8 billion) have been of managed care plans, the Company has also been actively acquiring businesses that provide unique strategic capabilities to better enhance member outcomes and manage costs (e.g. Community Medical Group, RxAdvance, MHM and U.S. Medical Management).

Below is a summary of select Centene acquisitions completed since the passage of the Affordable Care Act in 2010:

Managed Care

- **WellCare Health Plans (2020)** – acquired WellCare (NYSE: WCG) for \$17.3 billion, creating an enterprise with ~24 million members across all 50 states. The acquisition made Centene the country's third-largest publicly traded managed care company (based on membership data) and doubled its Medicare footprint.
- **Fidelis Care (2018)** – acquired Fidelis Care for \$3.75 billion, a large State of New York-based non-profit managed care company.
- **Health Net (2016)** – acquired publicly-traded Health Net (NYSE: HNT) for nearly \$6 billion.

Specialty Services

- **RxAdvance (2018)** – increased its investment in RxAdvance, full-service pharmacy benefit manager, to 28%. The move aimed to connect Centene's existing PBM capabilities (e.g. Envolve Pharmacy Solutions) with RxAdvance's PBM Cloud platform
- **Community Medical Group (2018)** – acquired Community Medical Group, a Miami-Dade County Florida based operator of 13 medical centers and two specialty centers serving more than 70,000 Medicaid, Medicare Advantage and Affordable Care Act exchange patients. The acquisition allowed Centene to use CMG's clinical care model, encompassing primary care, access to specialty services, and suite of social and other support services to deliver better health outcomes to consumers at lower costs.
- **Interpreta (2018)** – acquired an additional 61% ownership in Interpreta, a clinical and genomics data analytics business, bringing Centene's total ownership to 80%.
- **MHM Services (2018)** – acquired 100% of MHM Services, a provider of behavioral health, medical, and dental services to correctional facilities, state hospitals, courts, juvenile facilities, and community clinics. MHM provides behavioral health, medical and dental services to 330,000 people in 300+ facilities nationwide. Centene also acquired the remaining 49% ownership in Centurion, the correctional healthcare services joint venture between Centene and MHM.
- **U.S Medical Management (2014)** – acquired a majority interest (~68%) in U.S. Medical Management, LLC. ('USMM') for \$200 million. USMM provides a continuum of in-home services including primary care, health risk assessments, home health, hospice, podiatry, radiology, DME, lab and pharmacy for high acuity populations.

CVS Health

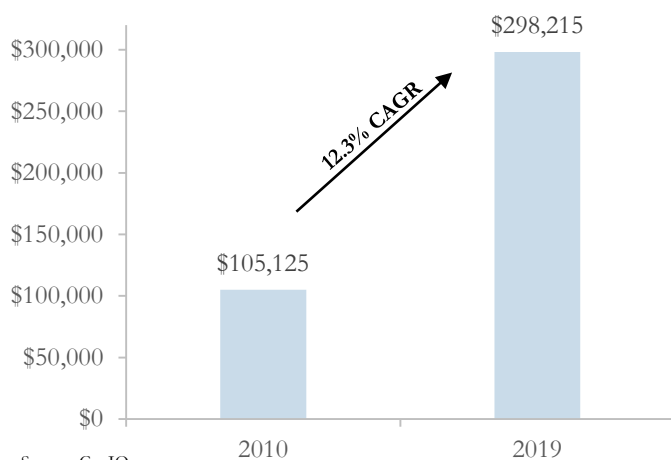
Overview

Very few companies in the U.S. broadly and in the healthcare industry specifically have transformed themselves like CVS (NYSE: CVS) over the years. In 2006, CVS reported over \$43 billion in revenue with ~\$40 billion (~91%) attributable to retail pharmacy and ~\$3.6 billion (~9%) attributable to a subscale PBM segment. Today, in part through an aggressive acquisition program, CVS now reports nearly \$300 billion in revenue across (1) **Pharmacy Services** (i.e. PBM) (~47%), (2) **Retail Pharmacy** (includes LTC) (~29%), and (3) **Healthcare Benefits** (i.e. Aetna, SilverScript) (~23%). Additionally, the Company enjoys a market leadership position across its service lines:

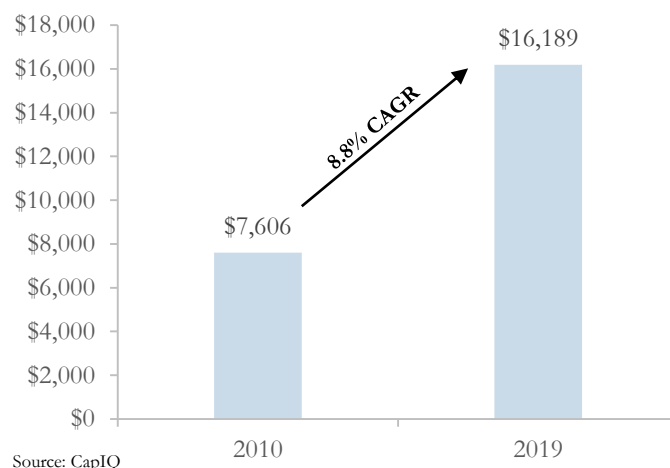
- The nation's largest drug retailer with ~9,900 stores
- Through MinuteClinic, the nation's largest provider of primary care health clinics (1,000+)
- Through Caremark, the second-largest Pharmacy Benefit Manager (PBM)
- Through SilverScript, the largest operator (No. 1 market share) of Medicare drug plans
- Through Omnicare, a leading provider of pharmacy services to long-term care (LTC) facilities
- Through Aetna, one of the nation's "Big 5" managed care companies

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Revenue (\$mm)

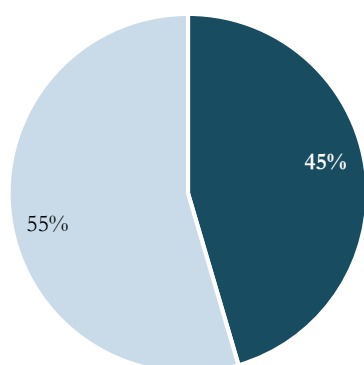


EBITDA (\$mm)



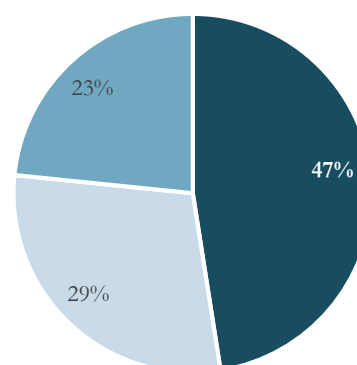
2010 Revenue Mix

■ Pharmacy Services ■ Retail Pharmacy



2019 Revenue Mix

■ Pharmacy Services ■ Retail Pharmacy ■ HC Benefits



Pharmacy Services Segment (~47% revenue; ~30% operating income)

The Pharmacy Services segment provides a full range of PBM solutions including plan design offerings and administration, formulary management, retail pharmacy network management services, mail order pharmacy, specialty pharmacy and infusion services, clinical services disease management services and medical spend management. Included in this segment is CVS' leading specialty pharmacy.

Retail / Long term Care Segment (~29% revenue; ~39% operating income)

The Retail/LTC segment sells prescription drugs and a wide assortment of general merchandise, including over-the-counter drugs, beauty products, cosmetics and personal care products, provides healthcare services through its MinuteClinic walk-in medical clinics and conducts long-term care pharmacy ('LTC') operations, which distribute prescription drugs and provide related pharmacy consulting and other ancillary services to chronic care facilities and other settings. The segment operates ~9,900 retail locations, ~1,100 MinuteClinic locations as well as online retail pharmacy websites, LTC pharmacies and onsite pharmacies.

An important growth initiative in this segment is HealthHUB, CVS's strategy to expand in-store healthcare services. Under HealthHUB, CVS will expand its existing in-store clinic business (i.e. MinuteClinic) into a 'hub and spoke' system with a focus on providing coordinated care for people with chronic diseases. At least initially, HealthHUB will use non-doctor clinicians, including CVS pharmacists as well as advanced nurse practitioners and physician assistants. This will be a key part of delivering a lower cost of care as well as filling the gaps in care access given current and projected shortages of primary care physicians and gerontologists. HealthHUB is being positioned as a core component of CVS' growth strategy with ~50 locations opened in 2019 and over 600 and 1,500 planned for 2020 and 2021, respectively.

Health Care Benefits Segment (~23% revenue; ~31% operating profit)

Health Care Benefits (HCB) is CVS's newest segment created to house the Aetna managed care business along with CVS's existing SilverScript Medicare drug plan (PDP) business. The segment offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental and behavioral health plans, medical management capabilities, Medicare Advantage and Medicare Supplement plans, PDPs, Medicaid health care management services, workers' compensation administrative services and health information technology ("HIT") products and services.

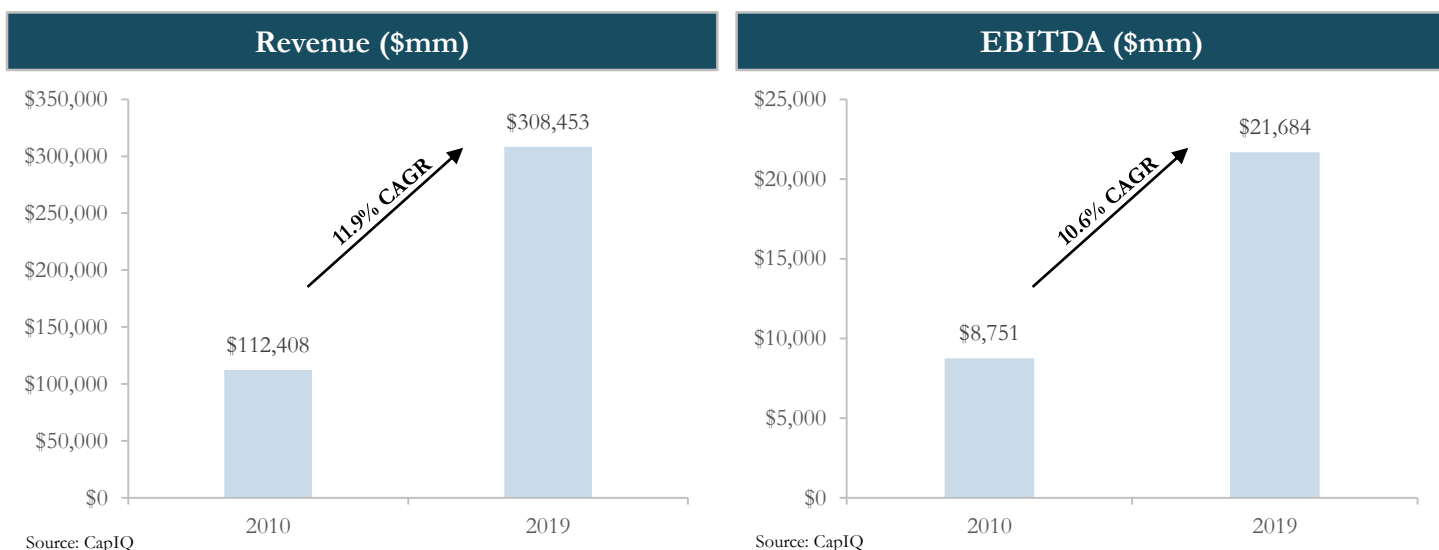
As noted, CVS Health has undergone a dramatic transformation over the years, driven in large part by an aggressive acquisition program:

- **Aetna (2018)** – acquired Aetna (NYSE: AET) for ~\$78 billion. CVS/AET is intended to help improve the consumer health care experience by combining Aetna's health care benefits products and services with CVS Health's retail locations, walk-in medical clinics and integrated pharmacy capabilities with the goal of becoming the new, trusted front door to health care
- **Target's pharmacy and clinic businesses (2015)** – acquired Target's (NYSE: TGT) pharmacy and clinic businesses. CVS acquired about 1,672 Target's pharmacies across 47 states and currently operates them through a store-within-a-store format.
- **Omnicare (2015)** – acquired Omnicare (NYSE: OCR), a provider of pharmacy services to long-term care facilities, for \$12.9 billion. Omnicare had about 13,000 employees at 160 locations in 47 states across the U.S. With this acquisition, CVS Health enhanced its ability to dispense prescriptions in assisted living and long-term care facilities, serving seniors in the U.S.
- **Coram (2014)** – acquired Coram, the specialty infusion services and enteral nutrition business unit of **Apria Healthcare Group**. With the acquisition of Coram, the Company expanded its offerings in specialty pharmacy services. Coram was one of the nation's largest providers of comprehensive infusion services, caring for approximately 165,000 patients annually across primarily 85 branch locations and six centers of excellence for patient intake.

United Healthcare

Overview

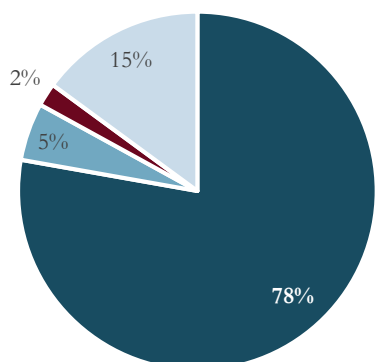
United Healthcare (NYSE: UNH) is a diversified healthcare services consolidator operating two business segments: (1) **UnitedHealthcare** which includes health benefit plans across Employer & Individual, Medicare & Retirement, Community & State and International and (2) **Optum** includes a range of healthcare services across the *OptumHealth*, *OptumInsight* and *OptumRx* brands. The Company has acquired, built, assembled and grown the largest and most diversified healthcare services franchise in the sector that includes leading market share in (1) commercial healthcare benefits, (2) government management services, (3) ambulatory, care delivery, pharmacy services and (4) robust technology capabilities. This diversified platform has been assembled to position the Company for success in care coordination as payment models increasingly shift toward value based care



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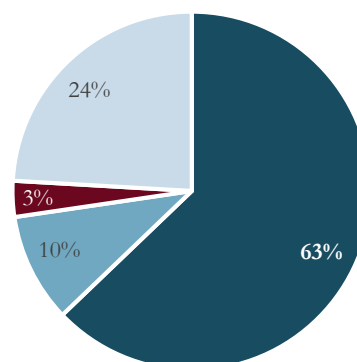
2010 Revenue Mix

■ United Healthcare ■ Health - Optum ■ Insight - Optum ■ Rx - Optum



2019 Revenue Mix

■ United Healthcare ■ Health - Optum ■ Insight - Optum ■ Rx - Optum



Within Optum, the Company is focused on reinventing local care delivery and advancing condition-centric management which entails being everywhere the customer is through services including 1) urgent and surgical care; 2) pharmacy care services; 3) behavioral health network; 4) high value specialists; and 5) HouseCalls.

OptumHealth

This segment serves the needs of 96 million unique individuals and includes the Company's fast-growing network of medical groups, Independent Practice Associations (IPAs), specialists, and ambulatory surgery (i.e. Surgical Care Affiliates) and urgent care centers (i.e. MedExpress). Optum aligns with physicians via direct employment, network affiliation or practice acquisition driven by the strategy that owning providers allows for greater control to ensure that care is delivered in a consistent manner.

With a network of more than 46,000 physicians and advanced practice clinicians in over 75 markets, Optum is one of the largest employers of medical professionals in the country. The Company has made a number of significant acquisitions in the OptumHealth segment to build scale, expand services and diversify, including:

- **DaVita Medical Group (2019)** – acquired for ~\$4.7 billion, DaVita operates medical groups in six states that serve 1.7 million patients through ~300 primary care centers, 35 urgent care centers, and six outpatient surgery centers in California, Colorado, Florida, Nevada, New Mexico, and Washington. This acquisition also added 2,200 physicians, nurse practitioners and physicians' assistants and 15,000 other affiliated providers
- **Surgical Care Affiliates (SCA) (2017)** – acquired for \$2.3 billion, SCA owned or operated 190 ambulatory surgery centers and surgical hospitals, most as joint ventures with physicians and health systems and served ~1 million patients per year across more than 30 states.
- **MedExpress (2015)** – acquired for \$1.5 billion, MedExpress operated 141 neighborhood urgent medical centers across 11 states.

Select additional medical practices owned by Optum include:

- **WellMed** – 16,000+ physician offices in Texas and Florida
- **Monarch HealthCare** – 2,500+ physicians in California
- **AppleCare Medical Group** – 900+ physicians in California
- **Reliant Medical Group** – 500+ physicians in Massachusetts
- **The Polyclinic** – 200+ physicians in the Seattle area
- **American Health Network** – 200+ physicians across Ohio and Indiana

Finally, select other business owned by Optum as part of the OptumHealth segment include **Optum Bank** offering health savings and spending accounts, advanced financial education tools and consumer engagement capabilities, **OptumServe** providing a wide range of health services specifically tailored to active military and veterans and the **HouseCalls** program which expects to make 1.85 million visits in 2020 utilizing tablets while visiting people's homes to determine risks including social determinants of health.

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OptumInsight

OptumInsight provides analytics, research, consulting, technology and managed services solutions to hospitals, physicians, health plans, government agencies, life sciences companies and other industry partners. The segment leverages a broad foundation of data and analytics to help clients reduce administrative costs, meet compliance mandates, improve clinical performance and transform operations to succeed under value-based care and new payment models. Offerings can be grouped into three key categories: (1) Technology, (2) Research and Consulting, and (3) Managed Services.

OptumInsight is also growing into a more externally facing business. For example, Optum360, which helps health systems and hospitals improve revenue performance and patient experience, now manages about \$70 billion in annual billings for unaffiliated customers. Payment integrity is among the strongest growing business with OptumInsight serving 250+ health plans in ensuring appropriate payments for services. Several recent acquisitions in this segment include:

- **Equian (2019)** – acquired New Mountain Capital portfolio company Equian for ~\$3.2 billion. Equian provides payment integrity solutions to healthcare payers and providers, processing over \$500 billion of annual claims data and serves nine out of the ten largest healthcare payers, suggesting several of UNH's health insurance competitors are likely customers. The Company was formed from a merger between its predecessor and Trover Solutions after both were acquired by New Mountain in 2015.
- **The Advisory Board (Nasdaq: ABCO) (2017)** – acquired the healthcare division of The Advisory Board for ~\$1.3 billion. ABCO provides independent research, advisory services and data analytics for more than 4,400 healthcare organizations.
- **MedSynergies (2014)** – acquired a leading provider of physician practice management, revenue management, physician referral management and other business services to physician groups aligned with large health systems, serving more than 9,300 care providers across the U.S.
- **Alere (2014)** – acquired Alere Health for ~\$600 million. Alere provides condition management, case management, wellbeing, wellness and women's and children's health services to more than 200 regional and local health plans, 89 Fortune 500 employers and 29 states.

OptumRx

OptumRx pharmacy care services provides whole-person care that aligns pharmacy and medical needs to achieve the lowest net drug costs, decrease total cost of care, improve health outcomes and simplify the consumer experience for higher levels of personal satisfaction. The PBM market is highly consolidated with the top three players accounting for 75%+ share. OptumRx, serves 65+ million members through its network of more than 67,000 retail pharmacies, multiple home delivery, specialty and compounding pharmacies, and through the provision of home infusion services. Select recent acquisitions consummated to build this segment include:

- **Diplomat Pharmacy (pending)** – In December 2019, announced the acquisition of Diplomat Pharmacy (Nasdaq: DPLO) for \$4.00 per share (~\$304 million), a roughly 30% discount from DPLO's prior day closing price and with assumed debt (~\$550 million), implies a transaction value of ~\$865 million. Diplomat is an independent provider of specialty pharmacy and infusion services with a presence in all 50 states and D.C., brings expertise in specialty medications treating complex patient populations/diseases (e.g. oncology, immunology, other specialty infusion), and has a captive PBM called CastiaRx (created via the acquisitions of NPS and LDI in 2017).
- **Genoa Healthcare (2018)** – acquired from private equity firm Advent International for ~\$2.5 billion, Genoa is the largest provider of pharmacy, outpatient telepsychiatry and medical management services and serves more than 800K individuals annually across the U.S. At the time of the acquisition, Genoa operated more than 425 pharmacies in behavioral health centers and the division is scheduled to open its 500th pharmacy in 2020, with the newest facility located in New York City.
- **Avella Specialty Pharmacy (2018)** – acquired the specialty pharmacy from private equity firm Riordan Lewis & Haden. The business was founded in 1996 under the brand The Apothecary Shops and had grown to ~\$1.4 billion in revenue with locations across nine states and also operated a home-delivery business.
- **Catamaran (2015)** – acquired Catamaran Corp (Nasdaq: CTRX) for ~\$12.8 billion. At the time of the transaction, OptumRx was the nation's third-largest PBM with 26 million lives and Catamaran was the fifth-largest with 21 million. The combined 47 million lives trailed CVS Health with 51 million and Express Scripts 72 million.
- **AxelaCare (2015)** – acquired AxelaCare from private equity firm Harvest Partners. AxelaCare was a leading national provider of specialty home infusion services treating patients in 44 states and Washington, D.C. through its network of owned and contracted RNs. The Company offered chronic drug therapies for conditions such as autoimmune disease and hemophilia as well as acute infusion therapies, such as antibiotics and total parenteral nutrition, through its network of 34 pharmacies.

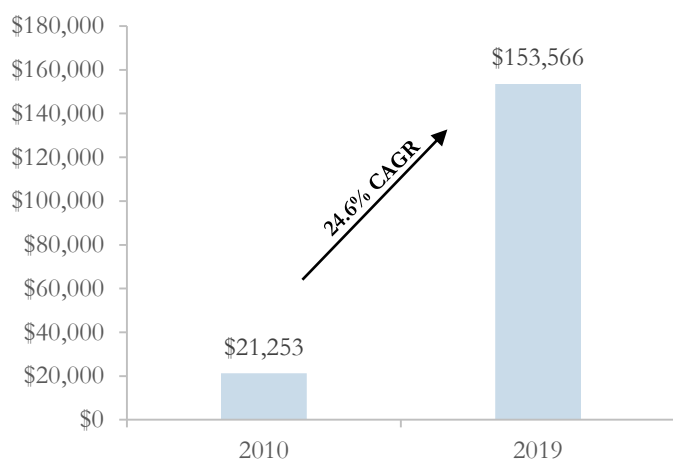
CIGNA

Overview

While CIGNA (NYSE: CI) has been active in a number of acquisitions consummated in recent years, the Company's recent \$67 billion acquisition of **Express Scripts (Nasdaq: ESRX)** was by far its most transformational. In 2010, CIGNA derived ~\$18.4 billion of its revenue (~87%) from premiums relating to core insurance products (e.g. health, long/short term disability, life, accident, etc.). By 2019, this premium revenue jumped to \$39.7 billion (representing 26% of revenue) while pharmacy had grown from \$1.4 billion in 2010 (7% of revenue) to \$103.1 billion (67% of revenue) in 2019.

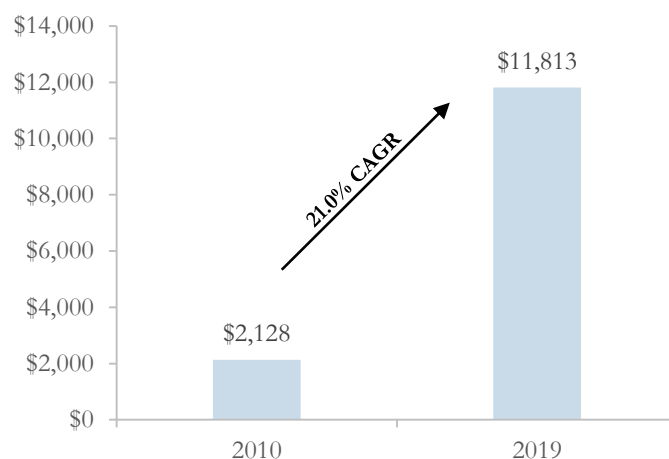
Currently, CIGNA engages in the provision of medical, dental, disability, life and accident insurance and related products and services to businesses, governmental and non-governmental organizations and individuals. The Company operates across four business segments: **(1) Health Services** (\$96.4 billion revenue; \$5.1 billion pre-tax adjusted income from operations) – includes pharmacy benefits management, specialty pharmacy services, clinical solutions, home delivery and health management services, **(2) Integrated Medical** (\$36.5 billion revenue; \$3.8 billion pre-tax adjusted income from operations) – includes employer-sponsored medical coverage and a Government operating segment that includes Medicare offerings for seniors and individual insurance offerings both on and off the public health insurance exchanges, **(3) International** (\$5.6 billion revenue; \$762 million pre-tax adjusted income from operations) – includes operations in over 30 countries or jurisdictions providing a full range of comprehensive medical and supplemental health, life, and accident benefits to individuals and employers, and **(4) Group Disability and Other** (\$5.2 billion revenue; \$501 million pre-tax adjusted income from operations) ⁽¹⁾.

Revenue (\$mm)



Source: CapIQ

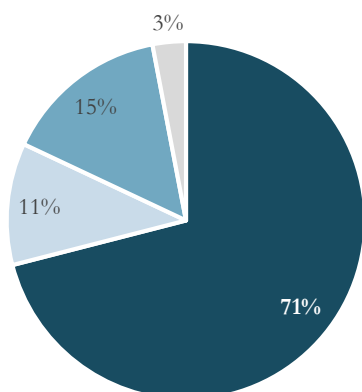
EBITDA (\$mm)



Source: CapIQ

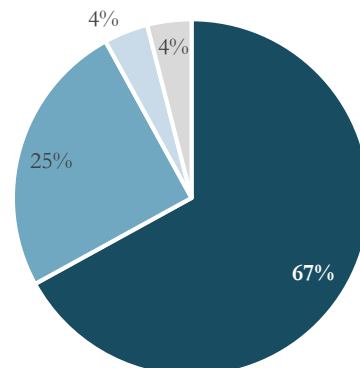
2010 Revenue Mix

■ Health Care ■ International ■ Disability and Life ■ Other



2019 Revenue Mix

■ Health Services ■ Integrated Medical ■ International ■ Group Disability and Other



(1) In December 2018, CIGNA announced the sale of its group life and disability business to New York Life for \$6.3 billion.
Source: CapIQ, public filings, company websites and analyst research reports

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The growth in the Health Services segment represents the biggest change in CIGNA's financial profile in recent years. In March 2018, the Company announced the acquisition of pharmacy benefit manager Express Scripts (ESRX), the nation's 2nd largest PBM. Prior to this acquisition, the Company operated its own PBM but partnered with United Health's OptumRx for different services. ESRX gave CIGNA significant scale across mail order and specialty pharmacy operations along with a large footprint of third-party payers and, importantly, a large number of self-insured employers.

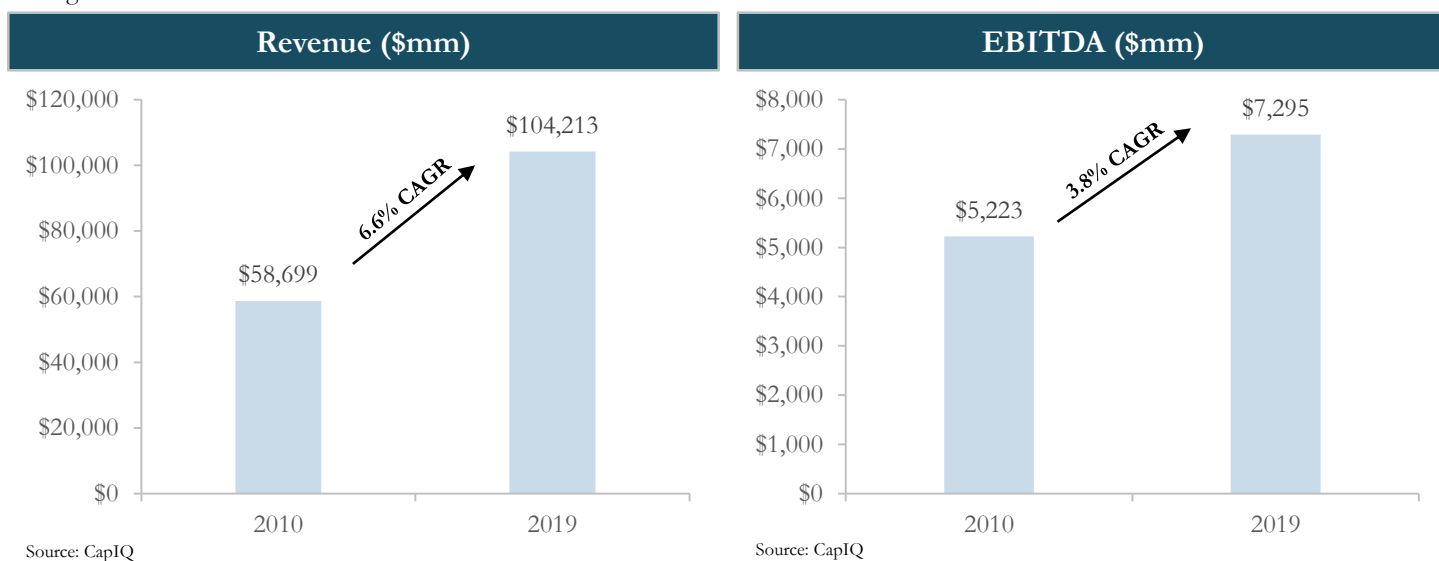
Moreover, the transaction aligns with CIGNA's focus on value-based reimbursement and consumer engagement – two important themes driving change across the healthcare landscape today. ESRX had made significant investments in these areas with the acquisition of eviCore in the growing medical benefit management space, in digital enablement (e.g. Mango Health partnership), and in programs such as SafeGuardRx in order to position it to better optimize medical cost trends. Additionally, ESRX's owned a leading specialty pharmacy unit, Accredo, providing exposure to the fastest-growing component of pharmaceutical spend. A summary of businesses included in the Express Scripts acquisition:

- **Accredo Health** – leading specialty pharmacy focused on dispensing specialty drugs that require a more sophisticated level of clinical service and support compared to traditional pharmacies.
- **eviCore** – leading provider of integrated medical benefit management solutions acquired for \$3.6 billion in 2017.
- **SafeGuardRx** – suite of value-based cost management solutions focused on specific therapeutic categories. Specialized programs address conditions such as cancer, diabetes, inflammatory conditions and multiple sclerosis
- **Mango Health** – drives medication adherence, Express Scripts partnered with Mango Health to drive medication adherence with members through a smartphone app that provides disease-specific clinical messaging, caregiver support, and auto-populated medication lists.

Anthem

Overview

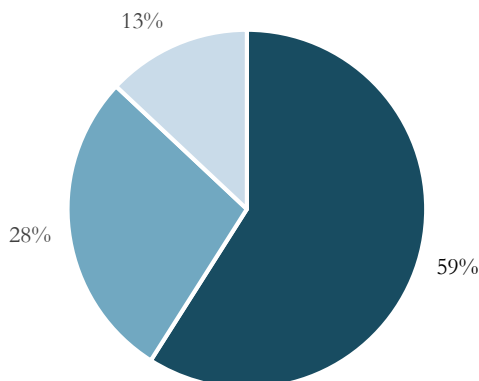
Anthem (NYSE: ANTM) is the largest for-profit managed care company in the Blue Cross and Blue Shield Association (BCBSA) and manages its operations through three segments: (1) **Commercial & Specialty**, (2) **Government**, and (3) **Other**. The bulk of Anthem's operating income (~67%) is derived from commercial & specialty, which primarily sells employer-based group insurance, while the government segment constitutes ~61% of revenue, but makes up less of its earnings due to thin government product margins.



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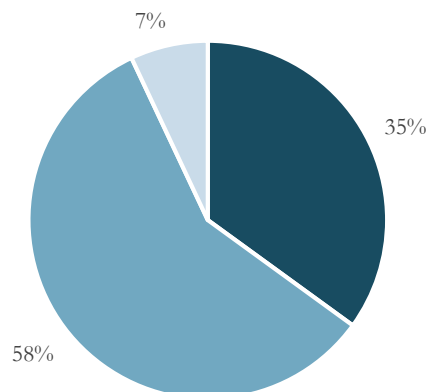
2010 Revenue Mix

■ Commercial / Specialty ■ Government ■ Other



2019 Revenue Mix

■ Commercial / Specialty ■ Government ■ Other



In response to rapid changes emerging across the healthcare landscape, Anthem has made several transformative strategic moves in recent years. In 2017, the Company announced that it would transition its pharmacy benefit management contract away from Express Scripts beginning in early 2020. The two organizations were in dispute for years (Anthem also was historically ESRX's largest customer) and Anthem believed that its historical growth was limited due to its inability to offer a more competitive pharmacy solution for clients. (In 2009, Anthem sold its PBM business to Express Scripts for \$4.7 billion in cash and entered into a 10-year contract for ESRX to provide PBM services to Anthem members). The Company launched IngenioRx, an in-house pharmacy benefit manager (PBM), on January 1, 2020 and expects IngenioRx to generate \$4 billion in annual gross pharmacy savings.

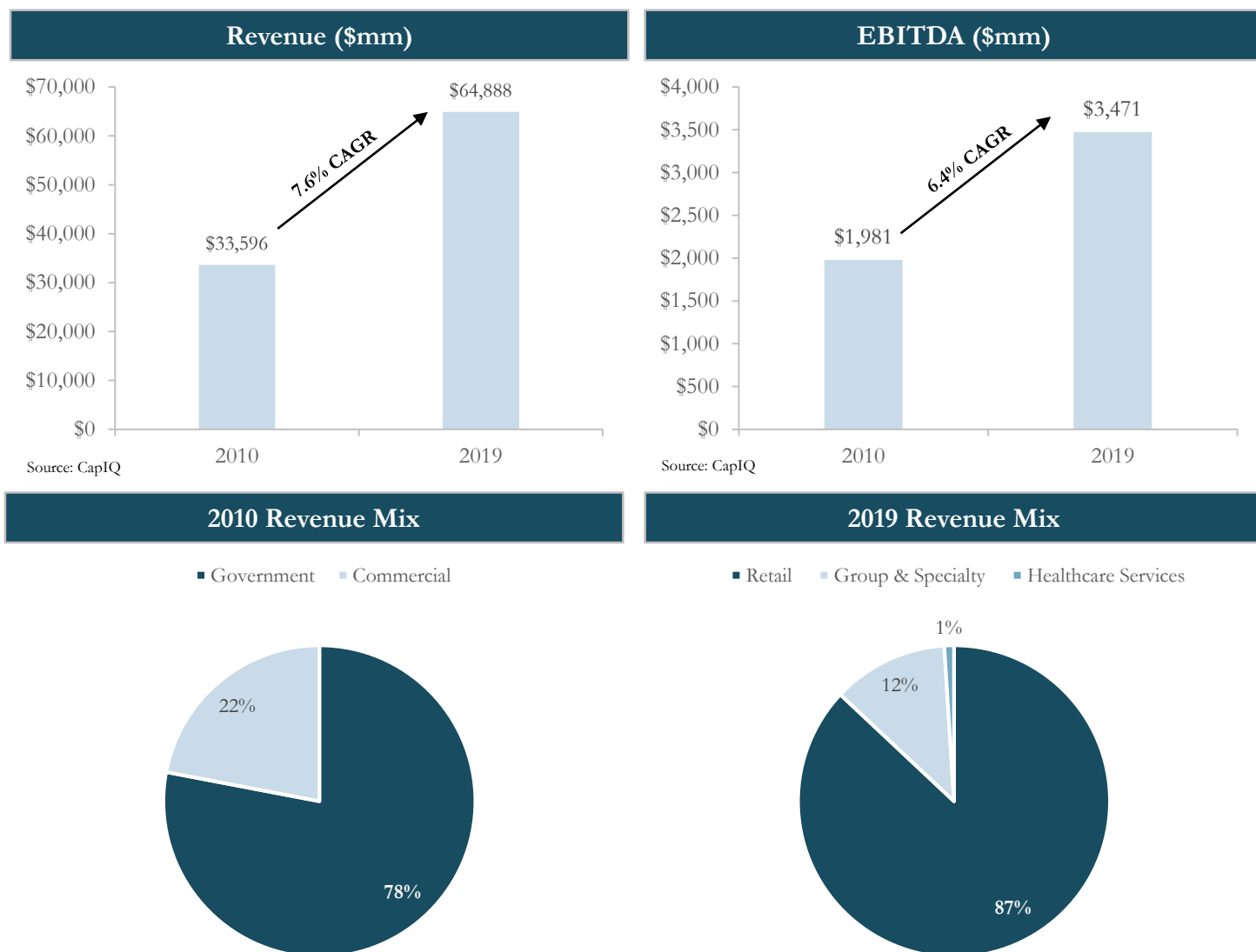
Additionally, Anthem has grown through acquisitions, including:

- **Beacon Health Options (2020)** – one of the country's largest independent behavioral health providers, Beacon offers care to 36 million people across all 50 states, with 3 million enrolled in a risk-based model. This acquisition aligns with Anthem's goal of expanding to the provider space and offering more integrated services.
- **America's 1st Choice (2018)** – managed care plan covering ~130,000 Medicare members across 25 counties in Florida and three counties in South Carolina.
- **HealthSun (2017)** – managed care plan offering an integrated Medicare Advantage health plan and healthcare delivery system. HealthSun currently serves ~40,000 members through its Medicare Advantage plans in Miami-Dade and Broward counties. Members receive primary care and related services through its integrated network of 19 wholly owned Pasteur and WellMax primary care and specialty centers as well as a complementary network of unaffiliated medical centers.
- **Aspire Health (2018)** – nation's biggest non-hospice, community-based palliative care provider, providing services under contracts with more than 20 health plans to consumers in 25 states. Aspire focuses on in-home care support for patients with serious illnesses and emphasizes care coordination through the use of a care team, including physicians, nurse practitioners, nurses and social workers.
- **Simply Healthcare (2015)** – managed care company for people enrolled in Medicaid and Medicare programs in the state of Florida.
- **Amerigroup (2012)** – managed care company focused on meeting the health care needs of financially vulnerable Americans. This transaction advanced Anthem's capabilities to serve the growing Medicaid population, including the expanding dual eligible, seniors, persons with disabilities and long-term services and support markets.
- **1-800-CONTACTS (2012)** – largest direct-to-consumer retailer of contact lenses in the United States. The acquisition strategically aligns with Anthem's efforts to capitalize on new opportunities for growth to diversify its revenue stream into complementary and higher-margin specialty businesses.
- **CareMore (2011)** – senior-focused health care delivery Medicare Advantage program designed to deliver proactive, integrated, individualized healthcare. CareMore's programs and services provide members with quality care through a hands-on approach to care coordination, convenient neighborhood care centers and exercise facilities and intensive treatment of chronic conditions thereby enhancing the ability to create better health outcomes for seniors by engaging members both on the front end of our relationship, through comprehensive health screenings and enhanced preventive care, and throughout the spectrum of their health care needs

Humana

Overview

Humana (NYSE: HUM) operates in three business segments: (1) **Retail** (comprised of Medicare-related risk products as well as the Company's Medicaid business), (2) **Group and Specialty** (consists of employer group commercial fully insured medical and specialty health insurance benefits as well as ASO and Military services (i.e. TRICARE)), and (3) **Healthcare Services** (described in more detail below)



The Healthcare Services segment has been an important driver of the Humana's integrated care delivery model which has expanded rapidly in recent years through a range of acquisitions and partnerships. This segment is comprised of stand-alone businesses that offer services including pharmacy solutions, provider services, clinical care services, and predictive modeling and informatics services to other Humana businesses, as well as external health plan members, external health plans, and other employers or individuals. While the segment generated over \$25 billion in 2019 revenue, only \$632 million was for external services.

In recent years, Humana has pursued a range of initiatives to expand its service offering to complement its leading Medicare Advantage business and to build an integrated care delivery model. Several examples include:

- **Enclara Healthcare (2020)** – announced a definitive agreement to acquire Enclara, one of the nation's largest hospice pharmacy and benefit management providers. Also in 2020, Humana's subsidiary **Partners in Primary Care** entered into a strategic partnership with **Welsh, Carson, Anderson & Stowe** to open a minimum of 50 additional payor-agnostic, senior-focused primary care centers over the next three years.

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- **Curo Health Services (2018)** – acquired 40% stake in Curo Health Services with **TPG Capital** and **Welsh, Carson, Anderson & Stowe** to expand its hospice capabilities with a leading platform with 245 outlets across 22 states.
- **Family Physicians Group / MCCI Holdings LLC (2018)** – acquired Family Physicians Group serving Medicare Advantage and Managed Medicaid HMO patients through its senior focused clinics in Greater Orlando, Florida. Also acquired the remaining equity interest in Miami, Florida based MCCI Holdings, LLC, or MCCI, a privately held management service organization and healthcare that primarily coordinates medical care for Medicare Advantage beneficiaries in Florida and Texas.
- **Kindred at Home (2017)** – acquired a 40% stake in Kindred at Home for ~\$800 million in cash. This transaction was consistent with a stated strategy of expanding its healthcare services platform with a focus on acquiring primary care and home health businesses. Humana provides Kindred with capabilities to transform the home health model to a value-based care platform.
- **Metropolitan Health Networks (2012)** – acquired Metropolitan Health Networks (NYSE: MDF), a primary care and specialty clinic network for \$850 million. Metropolitan is a Medical Services Organization that provided and coordinated medical care for approximately 87,500 Medicare Advantage, Medicaid, and other beneficiaries primarily in Florida utilizing a primary care-centric business model with 35 primary care medical centers and a network of affiliated physicians serving mainly Humana members.
- **Concentra (2011)** – acquired Concentra, an occupational medicine, urgent care, physical therapy, and wellness health platform with \$800 million in annual revenues and 300+ medical centers in 42 states for \$790 million. At the time, the acquisition appeared to reprise the Company's roots in direct patient care as Humana was one of the largest hospital and nursing home operators in the 1970s and 1980s. In 2015, Humana divested Concentra to a joint venture between **Select Medical (NYSE: SEM)** and **Welsh, Carson, Anderson & Stowe** for \$1.055 billion, citing a move toward delivering primary-care services to members as opposed to Concentra's focus on occupational injuries.

Concluding Thoughts

The Managed Care sector includes some of the largest and best capitalized companies across healthcare services with 5 of the top 7 largest companies in our universe as measured by enterprise value. Moreover, the sector has been particularly active and aggressive in driving change through M&A in recent years to better position for success in a rapidly changing environment that rewards stakeholders that deliver improved care while lowering cost. While the impact of the current COVID-19 crisis and resulting economic downturn on healthcare broadly, and on Managed Care specifically is quite unclear, we expect that these leading MCOs will continue to use M&A as an important means to drive change across their businesses. The purpose of this spotlight has been to highlight the dramatic changes that the largest public companies in this sector have made since the ACA to transform their business models. While Managed Care is obviously much larger than the six leading consolidators profiled in this newsletter, their transformations have been particularly noteworthy given their public nature and the size and uniqueness of their acquisitions.

Healthcare Services Trading Comparables

Overview of Healthcare Services Sub-sectors and Companies

Acute-Care Hospitals (5)		HCIT (25)		Payors (8)	
Company	Ticker	Company	Ticker	Company	Ticker
Community Health Systems	CYH	<u>Provider Focused HCIT (15)</u>		<u>Government Payors (4)</u>	
HCA	HCA	Allscripts Healthcare	MDRX	Centene	CNC
Quorum Health	QHC	Cerner	CERN	Humana	HUM
Tenet Healthcare	THC	Change Healthcare	CHNG	Molina	MOH
Universal Health Services	UHS	CPSI	CPSI	Triple S Management	GTS
		Evolent Health	EVH		
Assisted Living and Long-Term Care (7)		Health Catalyst	HCAT	<u>Commercial Payors (4)</u>	
Company	Ticker	Healthstream	HSTM	Anthem	ANTM
Brookdale Senior Living	BKD	iRhythm Technologies	IRTC	Cigna	CI
Capital Senior Living	CSU	National Research Corporation	NRC	CVS Health	CVS
Ensign Group	ENSG	NextGen Healthcare	NXGN	United Healthcare	UNH
Five Star Quality Care	FVE	Omnicell	OMCL		
Genesis Healthcare	GEN	Phreesia	PHR	<u>Physician Services / Alternate Site (7)</u>	
The Pennant Group	PNTG	Premier	PINC	Company	Ticker
National Healthcare Group	NHC	R1 RCM	RCM	American Renal Associates	ARA
		Vocera	VCRA	DaVita Healthcare	DVA
Behavioral Health (3)		<u>Payor Focused HCIT (3)</u>		Fresenius Medical Care	FME
Company	Ticker	eHealth	EHTH	Mednax	MD
Acadia	ACHC	HMS Holdings	HMSY	One Medical	ONEM
American Addiction Centers	AACH	Inovalon Holdings	INOV	RadNet	RDNT
Universal Health Services	UHS			Surgery Partners	SGRY
Clinical Laboratories (5)		<u>Consumer Focused HCIT (6)</u>		Rehabilitation (4)	
Company	Ticker	Benefit Focus	BNFT	Company	Ticker
LabCorp	LH	Benefytt Technologies, Inc.	BFYT	Encompass Health	EHC
NeoGenomics	NEO	Castlight Health	CSLT	Hanger	HNGR
Psychemedics	PMD	Health Equity	HQY	Select Medical	SEM
Quest Diagnostics	DGX	Livongo	LVGO	US Physical Therapy	USPH
Sonic Healthcare	SHL	Teladoc Health	TDOC		
Contract Research Organizations (6)		<u>Other HCIT (1)</u>		Specialty Pharmacy Services (3)	
Company	Ticker	Veeva Systems	VEEV	Company	Ticker
Charles River Labs	CRL			CVS Health	CVS
IQVIA Holdings	IQV			Rite Aid	RAD
MedPace	MEDP			Walgreens Boots Alliance	WBA
PPD, Inc.	PPD				
PRA Health	PRAH			Staffing (3)	
Syneos Health	SYNH			Company	Ticker
Distribution and Supplies (6)		Hospice and Home Care (4)		AMN Health Services	AMN
Company	Ticker	Company	Ticker	Cross Country Healthcare	CCRN
AmerisourceBergen	ABC	Addus Home Care	ADUS	On Assignment	ASGN
Cardinal Health	CAH	Amedisys	AMED		
HenrySchein	HSIC	Chemed	CHE		
McKesson	MCK	LHC Group	LHCG		
Owens and Minor	OMI				
Patterson Companies	PDCO	Other Outsourced Services (6)			
		Company	Ticker		
		Corvel	CRVL		
		Healthcare Services Group	HCSG		
		Magellan Health	MGLN		
		Providence Service Corp	PRSC		
		Smile Direct Club	SDC		
		Tivity Health	TVTY		

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PUBLICLY-TRADED HEALTHCARE COMPANIES											
Financial Information											
Company	Price as of: 03/31/20	% 52wk High	Market Cap	Firm Value	Cash and Cash Equivalents	Total Debt	2020P Revenue	2020P EBITDA	FV (P) / 2020		
									Revenue	EBITDA	
Provider Services											
Acute-Care Hospitals											
HCA	\$89.85	59%	\$30,411.4	\$67,464.4	\$621.0	\$35,578.0	\$54,308.0	\$10,456.0	1.2x	6.5x	
Tenet Healthcare	14.40	37%	1,501.8	19,367.8	262.0	15,768.0	19,228.0	2,836.0	1.0x	6.8x	
Community Health Systems	3.34	45%	380.8	14,773.8	216.0	14,030.0	12,652.7	1,679.0	1.2x	8.8x	
Universal Health Services	99.08	63%	8,593.6	12,922.0	61.3	4,310.6	11,991.4	1,870.0	1.1x	6.9x	
Quorum Health	0.45	18%	14.9	1,266.6	44.4	1,278.2	1,523.6	171.7	0.8x	7.4x	
<i>Weighted Average</i>									1.2x	6.6x	
<i>Median</i>									1.1x	6.9x	
Assisted Living and Long-Term Care											
Brookdale Senior Living	\$3.12	35%	\$576.8	\$6,130.9	\$240.2	\$5,860.5	\$3,732.2	\$428.3	1.6x	14.3x	
Genesis Healthcare	0.84	45%	91.8	4,262.6	12.1	4,504.6	4,408.9	611.0	1.0x	7.0x	
Ensign Group	37.61	60%	2,013.3	3,285.2	59.2	1,346.9	2,434.0	265.9	1.3x	12.4x	
Capital Senior Living	0.58	10%	17.9	1,181.8	24.0	1,187.8	395.1	51.0	3.0x	N/M	
National Healthcare Group	71.73	80%	1,099.8	1,129.6	50.3	232.0	N/M	N/M	N/M	N/M	
The Pennant Group	14.16	39%	394.9	729.3	0.4	334.9	381.8	67.9	1.9x	10.7x	
Five Star Quality Care	2.78	27%	87.7	77.6	31.7	30.1	N/M	N/M	N/M	N/M	
<i>Weighted Average</i>									1.1x	8.9x	
<i>Median</i>									1.6x	11.5x	
Behavioral Health											
Universal Health Services	\$99.08	63%	\$8,593.6	\$12,922.0	\$61.3	\$4,310.6	\$11,991.4	\$1,870.0	1.1x	6.9x	
Acadia	18.35	52%	1,629.1	5,269.0	124.2	3,731.0	3,299.0	618.3	1.6x	8.5x	
American Addiction Centers	\$0.23	9%	\$5.8	376.9	\$1.5	\$402.5	N/M	N/M	N/M	N/M	
<i>Weighted Average</i>									1.2x	7.2x	
<i>Median</i>									1.3x	7.7x	
Hospice and Home Care											
Chemed	\$433.20	84%	\$6,955.2	\$7,165.0	\$6.2	\$215.9	\$2,143.9	\$401.2	3.3x	17.9x	
Amedisys	183.54	91%	5,930.9	6,227.8	30.3	326.1	2,135.0	254.6	2.9x	24.5x	
LHC Group	140.20	88%	4,419.9	4,848.6	31.7	351.3	2,153.9	234.1	2.3x	20.7x	
Addus Home Care	67.60	65%	1,041.9	881.0	239.6	78.7	753.3	78.0	1.2x	11.3x	
<i>Weighted Average</i>									2.8x	20.3x	
<i>Median</i>									2.6x	19.3x	
Physician Services / Alternate Site											
Fresenius Medical Care	\$56.64	60%	\$17,379.7	\$24,125.1	\$1,007.7	\$13,820.5	\$20,319.6	\$4,426.2	1.2x	5.5x	
DaVita Healthcare	76.06	84%	9,553.1	20,981.3	1,102.4	11,175.9	11,629.3	2,240.4	1.8x	9.4x	
Surgery Partners	6.53	33%	321.9	4,532.9	92.7	2,901.1	1,947.9	276.9	2.3x	16.4x	
One Medical	18.15	64%	2,288.7	2,691.3	27.4	143.6	318.2	N/M	8.5x	N/M	
Mednax	11.64	39%	960.9	2,594.4	112.8	1,820.7	3,557.0	452.7	0.7x	5.7x	
RadNet	10.51	45%	532.8	1,755.2	40.2	1,181.1	1,183.0	160.0	1.5x	11.0x	
American Renal Associates	6.61	48%	218.1	1,208.9	34.5	735.0	859.4	91.4	1.4x	13.2x	
<i>Weighted Average</i>									1.9x	6.5x	
<i>Median</i>									1.5x	10.2x	
Rehabilitation											
Encompass Health	\$64.03	77%	\$6,302.7	\$10,135.2	\$94.8	\$3,346.8	\$4,900.0	\$958.0	2.1x	10.6x	
Select Medical	15.00	52%	2,014.7	7,317.4	335.9	4,506.0	5,654.2	739.6	1.3x	9.9x	
US Physical Therapy	69.00	46%	881.4	1,134.9	23.5	137.8	491.0	72.2	2.3x	15.7x	
Hanger	15.58	55%	583.1	1,130.4	74.4	621.6	1,027.5	79.1	1.1x	14.3x	
<i>Weighted Average</i>									1.9x	11.1x	
<i>Median</i>									1.7x	12.4x	

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PUBLICLY-TRADED HEALTHCARE COMPANIES										
(\$ in millions)										
Company	Market Data				Financial Information					
	Price as of: 03/31/20	% 52wk High	Market Cap	Firm Value	Cash and Cash Equivalents	Total Debt	2020P Revenue	2020P EBITDA	FY (P) / 2020 Revenue EBITDA	
Information Technology and Solutions										
Provider Focus HCIT										
Cerner	\$62.99	78%	\$19,649.0	\$20,296.7	\$441.8	\$1,189.5	\$5,857.7	\$1,849.4	3.5x	11.0x
Change Healthcare	9.99	57%	3,011.2	3,031.4	3.4	39.0	3,394.9	1,049.7	0.9x	2.9x
Omnicell	65.58	69%	2,784.9	2,768.4	127.2	110.7	1,006.2	192.9	2.8x	14.3x
Premier	32.72	82%	2,325.3	2,334.8	111.6	121.0	1,280.1	588.0	1.8x	4.0x
iRhythm Technologies	81.35	78%	2,180.3	2,168.3	20.5	128.6	286.1	N/M	N/A	N/M
Allscripts Healthcare	7.04	59%	1,145.4	2,049.6	129.7	1,033.9	1,785.7	315.8	1.1x	6.5x
R1 RCM	9.09	65%	1,040.5	1,636.5	92.0	458.9	1,348.9	269.6	1.2x	6.1x
National Research Corporation	45.48	64%	1,134.4	1,157.5	13.5	36.6	N/M	N/M	N/A	N/M
Health Catalyst	26.15	52%	974.3	798.6	18.0	52.7	187.1	N/M	4.3x	N/M
NextGen Healthcare	10.44	49%	685.9	745.8	26.8	86.6	559.1	94.2	1.3x	7.9x
Evolent Health	5.43	37%	460.0	732.7	101.0	368.8	962.6	27.9	0.8x	26.3x
Phreesia	21.03	60%	754.7	687.0	91.4	23.7	145.3	6.3	N/A	N/A
Healthstream	23.95	80%	775.5	636.2	131.5	33.5	251.1	42.6	2.5x	14.9x
Vocera	21.24	59%	674.6	570.1	25.7	125.4	191.5	18.1	3.0x	31.5x
CPSI	22.25	62%	307.7	416.0	7.4	115.7	283.3	51.5	1.5x	8.1x
Weighted Average									2.5x	9.0x
Median									1.6x	8.1x
Payor Focus HCIT										
eHealth	140.82	93%	\$3,556.8	\$3,572.4	23.5	39.1	609.9	129.4	5.9x	27.6x
Inovalon Holdings	\$16.66	72%	2,583.3	3,495.9	\$93.1	\$1,005.6	\$703.1	\$234.6	5.0x	14.9x
HMS Holdings	25.27	62%	2,226.4	2,349.4	139.3	262.2	709.2	187.9	3.3x	12.5x
Weighted Average									4.9x	19.7x
Median									5.0x	14.9x
Consumer Focused HCIT										
Teladoc Health	155.01	88%	\$11,317.0	\$11,270.4	514.4	470.5	706.3	66.0	N/A	N/A
Health Equity	\$50.59	57%	3,594.5	4,703.8	\$191.7	\$1,301.1	\$783.2	\$250.9	6.0x	18.7x
Livongo	28.53	62%	2,739.8	2,347.9	241.7	N/M	285.2	N/M	8.2x	N/M
Benefityt Technologies, Inc.	22.39	64%	274.0	487.8	3.8	179.1	320.0	68.3	1.5x	7.1x
Benefit Focus	8.91	19%	292.4	444.8	131.0	283.4	311.4	23.3	1.4x	19.1x
Castlight Health	0.72	18%	107.9	69.5	43.0	21.0	132.6	N/M	0.5x	N/M
Weighted Average									2.5x	4.1x
Median									1.5x	18.7x
Other HCIT										
Veeva Systems	\$156.37	88%	\$23,339.2	\$22,307.3	\$476.7	\$54.8	\$1,402.5	\$511.7	N/A	N/A
Weighted Average									N/A	N/A
Median									N/A	N/A
Total Weighted Average									2.8x	9.0x
Total Median									2.2x	12.5x
Clinical and Patient Support Services										
Clinical Laboratories										
LabCorp	\$126.39	64%	\$12,297.7	\$19,077.3	\$337.5	\$7,107.6	\$11,935.0	\$2,097.4	1.6x	9.1x
Sonic Healthcare	24.33	76%	11,557.9	15,194.5	436.2	3,981.8	6,961.9	1,444.8	2.2x	10.5x
Quest Diagnostics	80.30	68%	10,716.4	15,090.4	1,192.0	5,444.0	7,871.7	1,564.0	1.9x	9.6x
NeoGenomics	27.61	79%	2,894.4	2,856.3	173.0	134.9	469.6	61.1	N/A	N/A
Psychemedics	6.05	41%	33.4	32.1	7.3	6.0	N/M	N/M	N/M	N/M
Weighted Average									1.7x	9.0x
Median									1.9x	9.6x

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(\$ in millions)	PUBLICLY-TRADED HEALTHCARE COMPANIES									
	Market Data				Financial Information					
Company	Price as of: 03/31/20	% 52wk High	Market Cap	Firm Value	Cash and Cash Equivalents	Total Debt	2020P Revenue	2020P EBITDA	FV (P) / 2020 Revenue EBITDA	
Contract Research Organizations										
IQVIA Holdings	\$107.86	64%	\$20,797.2	\$32,382.2	\$837.0	\$12,224.0	\$11,619.0	\$2,447.5	2.8x	13.2x
PPD, Inc.	17.81	54%	6,208.2	11,736.7	345.2	5,843.7	4,392.4	857.6	2.7x	13.7x
Charles River Labs	126.21	70%	6,245.5	8,063.2	238.0	2,024.8	2,941.1	669.8	2.7x	12.0x
Syneos Health	39.42	53%	4,109.4	6,871.7	163.2	2,925.7	4,768.0	651.0	1.4x	10.6x
PRA Health	83.04	73%	5,278.3	6,509.0	236.2	1,466.9	3,290.5	583.1	2.0x	11.2x
MedPace	73.38	67%	2,648.5	2,572.7	131.9	56.2	964.7	174.0	2.7x	14.8x
Weighted Average									2.5x	12.7x
Median									2.7x	12.6x
Staffing										
AMN Health Services	57.81	65%	\$2,708.7	\$3,348.0	83.0	722.3	2,475.6	321.6	1.4x	10.4x
On Assignment	\$35.32	49%	1,872.0	2,910.6	\$95.2	\$1,133.8	\$4,167.0	\$474.7	0.7x	6.1x
Cross Country Healthcare	6.74	50%	248.4	343.2	1.0	94.9	866.4	31.9	0.4x	10.8x
Weighted Average									1.0x	8.8x
Median									0.7x	10.4x
Managed Care										
Government Payors										
Humana	\$314.02	82%	\$41,489.5	\$43,774.5	\$4,054.0	\$6,339.0	\$74,125.5	\$4,193.6	0.6x	10.4x
Centene	59.41	87%	34,862.4	37,400.4	12,123.0	14,520.0	105,294.5	5,034.4	0.4x	7.4x
Molina	139.71	88%	8,500.8	7,615.8	2,452.0	1,567.0	18,336.0	1,187.4	0.4x	6.4x
Triple S Management	14.10	51%	335.6	320.4	109.8	95.3	3,616.4	N/M	N/A	N/M
Weighted Average									0.5x	8.8x
Median									0.4x	7.4x
Commercial Payors										
United Healthcare	\$249.38	81%	\$236,555.2	\$274,753.2	\$10,985.0	\$44,637.0	\$261,437.0	\$24,915.0	1.1x	11.0x
CVS Health	59.33	77%	77,375.8	158,627.8	5,683.0	89,002.0	263,493.7	17,892.0	0.6x	8.9x
Cigna	177.18	79%	65,896.7	99,356.7	4,619.0	38,038.0	154,958.1	11,481.5	0.6x	8.7x
Anthem	227.04	73%	57,245.2	73,384.2	4,937.0	21,076.0	117,699.0	9,313.0	0.6x	7.9x
Weighted Average									0.9x	9.9x
Median									0.6x	8.8x
Total Weighted Average									0.8x	9.7x
Total Median									0.6x	8.7x
Other Outsourced Services										
Magellan Health	48.11	59%	\$1,188.2	\$1,734.7	178.8	741.2	7,217.2	249.7	0.2x	6.9x
Healthcare Services Group	\$23.91	68%	1,779.0	1,687.8	\$27.3	\$26.8	\$1,818.0	\$120.8	0.9x	14.0x
Tivity Health	6.29	24%	304.6	1,411.7	2.5	1,109.5	1,259.0	196.0	1.1x	7.2x
Corvel	54.51	57%	986.9	998.1	89.6	100.8	N/M	N/M	N/M	N/M
Providence Service Corp	54.88	76%	714.9	752.2	61.4	21.6	1,561.9	61.7	0.5x	12.2x
Smile Direct	4.67	22%	483.4	498.6	318.5	208.5	1,038.6	N/M	0.5x	N/M
Weighted Average									0.5x	8.1x
Median									0.5x	9.7x
Specialty Pharmacy Services										
CVS Health	\$59.33	77%	\$77,375.8	\$158,627.8	\$5,683.0	\$89,002.0	\$263,493.7	\$17,892.0	0.6x	8.9x
Walgreens Boots Alliance	45.75	71%	40,528.2	82,432.2	792.0	40,846.0	140,900.7	8,077.0	0.6x	10.2x
Rite Aid	15.00	63%	806.7	7,339.6	289.5	6,822.4	22,400.7	537.2	0.3x	13.7x
Weighted Average									0.6x	9.4x
Median									0.6x	10.2x
Distribution and Supplies										
McKesson	\$135.26	79%	\$23,952.0	\$35,543.0	\$2,065.0	\$12,048.0	\$235,657.5	\$4,234.3	0.2x	8.4x
Cardinal Health	47.94	79%	13,988.1	20,692.1	1,659.0	8,360.0	156,361.6	2,864.5	0.1x	7.2x
AmerisourceBergen	88.50	91%	18,221.4	19,809.9	3,232.6	4,706.7	192,863.5	2,479.3	0.1x	8.0x
HenrySchein	50.52	68%	7,244.1	9,055.7	106.1	998.3	10,227.6	931.2	0.9x	9.7x
Owens and Minor	9.15	94%	576.9	2,235.6	67.0	1,725.7	8,421.6	203.1	0.3x	11.0x
Patterson Companies	15.29	59%	1,443.0	2,114.5	106.2	775.1	5,736.9	269.9	0.4x	7.8x
Weighted Average									0.2x	8.2x
Median									0.2x	8.2x

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