

The University of Texas School of Law 30th Annual Health Law Conference

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Private Equity Transactions with Healthcare Providers

Lisa Atlas Genecov
Head of Healthcare Transactions, Dallas
Norton Rose Fulbright US LLP

Colin McDermott
Managing Director
VMG Health

Howard T. Wall III
Executive VP, Chief Administrative Officer, General Counsel & Secretary
RCCH Healthcare Partners

Presentation Outline

Private Equity in Healthcare

Deal Volume and Size Trends

Looking Forward

Multiples

Facility Investment

Private Equity Investments in Physician
Groups

Final Thoughts

Moderator

Lisa Atlas Genecov – Norton Rose
Fulbright, Dallas, TX

Panelists

Colin McDermott – VMG Health, Dallas,
TX

Howard T. Wall III – RCCH Healthcare
Partners, Brentwood, TN

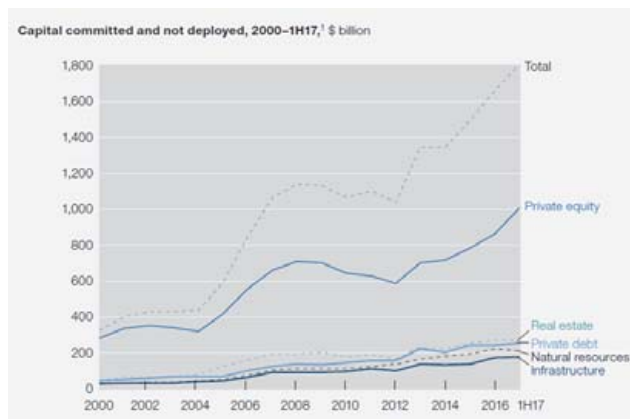


Private Equity in Healthcare

Private Equity in Healthcare

Available Capital Continues to Rise

A recent McKinsey report estimates available capital (“dry powder”) has approached \$1.8 trillion across all private markets¹.



¹ McKinsey defines private markets as closed-end funds investing in PEE, real estate, private debt, infrastructure, or natural resources, as well as related secondaries and funds of funds. McKinsey excludes hedge funds and publicly traded or open-end funds.

Source: McKinsey & Company – “The rise and rise of private markets”

Global Fundraising Trends

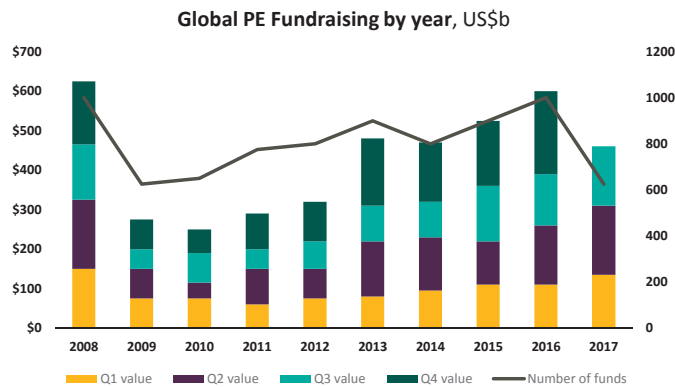
10.0%

Available capital has increased each year on average since 2012

Private Equity in Healthcare

Available Capital Continues to Rise

Private Equity Fundraising Near Record Levels Data through Q3 2017



Global Fundraising Trends

9.5%

Fundraising CAGR, 2010 - 2017

17.9%

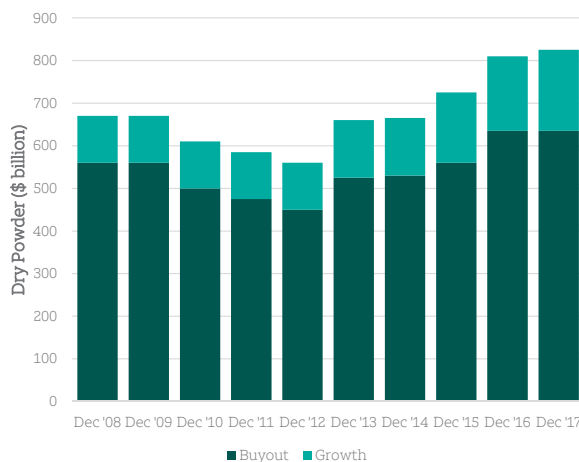
Fundraising Growth, 2016 (Q1-Q3) - 2017

Source: Ernst & Young - "Private Capital Equity Briefing - Opportunity knocks for first-time funds", October 2017

Private Equity in Healthcare

Available Capital Continues to Rise

Private Equity Money Raised but Not Invested Data through Q4 2017

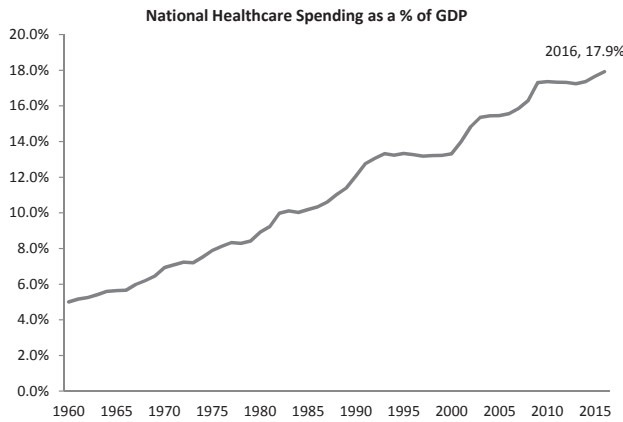


Global PE Trends

- Investors have poured money into PE funds
- At the same time, managers are finding it challenging to find attractive deals since asset values are so high
- The average time it takes for committed dollars to be deployed is approaching 3 years.

Source: Preqin

U.S. Healthcare Spending Continues to Increase
Data through 2016



Source: CMS and Bureau of Economic Analysis

Healthcare Spending Trends

8.9%

Spending as % of GDP, 1980

13.3%

Spending as % of GDP, 2000

17.9%

Spending as % of GDP, 2016

Healthcare remains an attractive sector for private equity.

18.0%

Healthcare accounts for a large share of US GDP

\$4.0 trillion

Projected healthcare spending by 2020

Sector has historically yielded good returns

Target sector	Sector type ¹	Number of targets	Average deal size, \$ million	Median return rate, %	Multiple of median deal by return, x	Holding period of median deal by return, years
Payor services	Services	14	476	39	3.3	3.6
Pharma services	Services	15	321	39	2.2	2.5
Diagnostics	Services	6	183	27	2.4	3.7
Pharma and biotech	Products	22	470	26	2.7	4.0
Medical technologies	Products	29	605	20	5.4	9.4
Provider services	Services	35	356	16	2.0	4.5
Healthcare IT	Services	5	428	12	1.8	5.0
Radiology	Services	5	164	7	1.4	4.7

¹Sectors with n < 5 were excluded. Consumer-health and animal-health products and services were excluded as a result.

McKinsey & Company | Source: PitchBook Data; Preqin; press search; S&P Capital IQ

Source: Bain Global Healthcare Private Equity and Corporate M&A Report 2017, Bain Insights; McKinsey & Company – "Capturing returns in healthcare"

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"Private Equity Transactions with Healthcare Providers"