

Q4-2014 Anesthesia Services Update



M&A Overview

In the fourth quarter, both private equity firms and strategic acquirers continued to actively consolidate the anesthesia sector. Of particular interest was Ontario Teachers' Pension Plan's recapitalization of PhyMed, previously a portfolio company of Excellere Partners. Excellere initially invested into the organization in 2012 and this subsequent transaction provided a healthy return for Excellere in a brief, two-year holding period compared to a typical private equity investment horizon of 3-7 years. Excellere's exit comes on the heels of MTS Health Investors' exit from Florida-Gulf-to-Bay Anesthesia, which also generated a significant return over a two-year holding period through a strategic sale to TeamHealth. Both transactions indicate private equity's continued success in scaling anesthesia platforms through add-on acquisitions and de novo development, thereby delivering premium returns on invested capital to all shareholders involved. If these recent deals are any indication, private equity participation will continue providing a value-add to shareholders as they look to maximize value amidst an uncertain and increasingly competitive environment. Looking into 2015, we expect private equity groups to continue competing with strategic acquirers for acquisition targets, which will result in higher multiples and flexible deal structures for groups interested in pursuing a transaction.

MEDNAX (Ticker: MD)

Current Share Price (as of 1/1/15)	\$66.11
Market Cap	\$6.55B
Enterprise Value	\$6.64B
Implied EV/EBITDA	12.31x
EBITDA %	22.9%

TEAMHealth (Ticker: TMH)

Current Share Price (as of 1/1/15)	\$57.53
Market Cap	\$4.09B
Enterprise Value	\$4.59B
Implied EV/EBITDA	13.11x
EBITDA %	10.6%

Envision Healthcare (Ticker: EVHC)

Current Share Price (as of 1/1/15)	\$34.69
Market Cap	\$6.36B
Enterprise Value	\$8.09B
Implied EV/EBITDA	15.17x
EBITDA %	12.3%

Amsurg (Ticker: AMSG)

Current Share Price (as of 1/1/15)	\$54.73
Market Cap	\$2.59B
Enterprise Value	\$4.57B
Implied EV/EBITDA	11.24x
EBITDA %	31.5%

Month	Acquirer	Target Company	Details
December 2014	TEAMHealth	Certified Anesthesia Services	TeamHealth has acquired Certified Anesthesia Services, a 40 clinician group based in Washington, D.C. The deal will add seven ASCs and one hospital to TeamHealth's network of covered facilities and expands the organization's footprint in the Mid-Atlantic region.
December 2014	NorthStar Anesthesia	Anesthesia Management Solutions	NorthStar Anesthesia, backed by TPG Growth, has acquired Anesthesia Management Solutions, a North Carolina-based group that provides anesthesia and management services across 20 locations in the Southeast and Midwest. The transaction will significantly expand NorthStar Anesthesia's footprint – post-transaction the Company will service more than 100 facilities in 18 different states.
December 2014	Ontario Teachers' Pension Plan	PhyMed	PhyMed, a Tennessee-based group of more than 350 clinicians, has been recapitalized by Ontario Teachers' Pension Plan. The transaction provides an exit opportunity for Excellere Partners, which had initially invested into PhyMed in 2012.
October 2014	MEDNAX	The NEXus Medical Group	MEDNAX has acquired The NEXus Medical Group, a Georgia-based practice consisting of 15 anesthesiologists and 49 anesthetists. The transaction will allow the organization to leverage MEDNAX's economies of scale in order to better negotiate with payors and pursue new contracts.