

Q2-2018 Laboratory Services Update



Market Update

Increasing demand from patients for advanced technologies and quick, accurate, test results has put pressure on the laboratory services industry to find new and innovative ways to meet a changing healthcare landscape. The majority of industry growth is expected to come from early detection and increasing pressure from payors for preventative medicine. The sector continues to experience heightened consolidation as industry participants look to increase size and geographic scope. Provident expects the sector's largest providers to turn to merger and acquisition strategies to acquire advanced new testing capabilities as a quicker and less capital intensive alternative to developing these capabilities in-house.

Laboratory Services Public Trading Multiples

Company	Ticker	EV	Revenue	EBITDA	EV/REV	EV/EBITDA
LabCorp	LH	\$24.8B	\$10.6B	\$2.0B	2.3x	12.1x
Quest Diagnostics	DGX	\$18.8B	\$7.8B	\$1.8B	2.4x	11.9x
Eurofins	ERFSF	\$10.4B	\$3.5B	\$634.3M	3.0x	16.3x
Publicly Traded Avg.		\$18.0B	\$7.3B	\$1.5B	2.6x	13.4x

Select Transactions:

Month	Acquirer	Target	Significance
June	ACM Global Laboratories	ABS Laboratories	ACM Global Laboratories, a subsidiary of Rochester Regional Health, has acquired London-based ABS Laboratories. ABS Labs specializes in complex assay method development and validation. The acquisition will add to the already more than 30 million laboratory tests ACM performs annually. Financial terms of the transaction were not disclosed.
April	Aurora Diagnostics	Cascade Pathology	Aurora Diagnostics, a multi-specialty pathology laboratory backed by KRG Capital Partners and Summit Partners, acquired Cascade Pathology. Cascade Pathology is a physician-owned pathology laboratory based in Portland, OR. Financial terms of the deal were not disclosed.
April	EVIO Labs	Leaf Detective	EVIO Labs, a provider of accredited cannabis testing, acquired Leaf Detective, a cannabis testing laboratory. The transaction was valued at \$500 thousand.

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Upcoming Laboratory Services Conferences

FIME Medlab Americas
July 17th – July 19th Orlando, Florida

70th Annual Scientific Meeting and Clinical Lab Expo
July 29th – August 2nd Chicago, Illinois