

NOVEMBER 2020 – HEALTHCARE

Executive Summary

The **Integrated Healthcare Services** sector closed up 2.3%, **Healthcare Supplies** gained 4.2%, and **Pharmacy** rose 0.1%. Meanwhile, the **Ancillary Services** sector lost 3.9%

Across all sectors, the largest decrease was from **Sonic Healthcare Limited**, closing down 5.4%. The largest gain was from **ImpediMed Limited**, closing up 96.4%

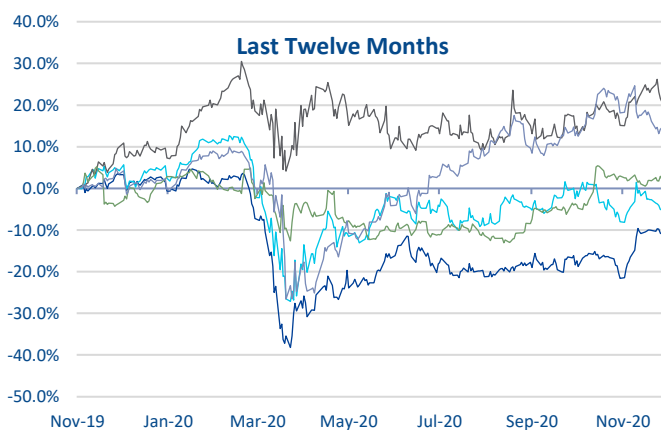
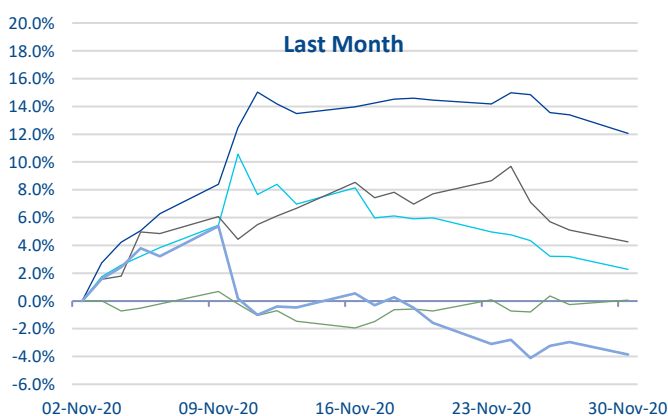
The average **LTM EV/EBITDA** multiples were 13.4x, 28.0x, 8.0x and 12.0x for **Integrated Healthcare Services**, **Healthcare Supplies**, **Pharmacy** and **Ancillary Services** respectively

The average **NTM EV/EBITDA** multiples for the four sectors are projected to be 10.3x, 61.3x, 9.9x and 10.1x respectively

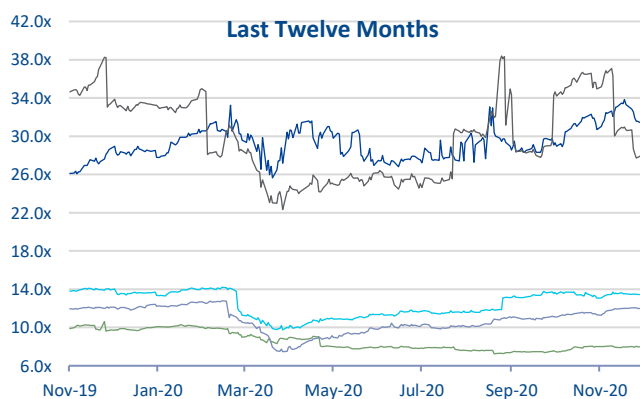
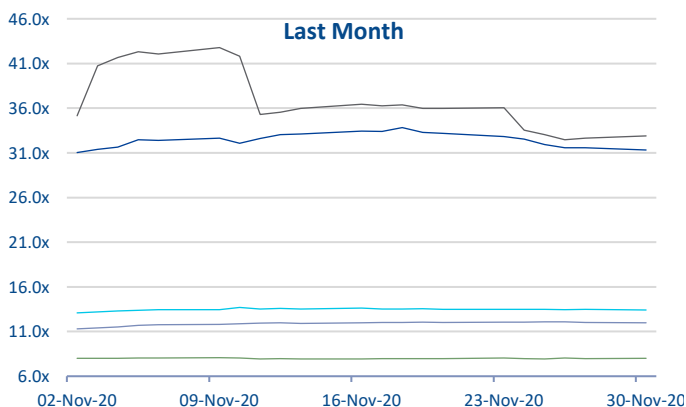
Key Developments

- **1300SMILES Limited** entered into an agreement to acquire an additional dental practice in Bundaberg
- BGH Capital completed the acquisition of **Healius Limited's** Primary Care Business for AUD\$485M
- **Capitol Health Limited** entered into a binding agreement to acquire Direct Radiology for AU\$12M
- **Mesoblast Limited** announced that it expects to receive US\$25M in funding from Novartis AG

INDEXED SHARE PRICE PERFORMANCE



VALUATION PERSPECTIVES (LTM EV/EBITDA)



EAC Partners has constructed a market capitalisation weighted index for the Integrated Healthcare, Pharmacy and Ancillary services coverage groups. The charts shown are the indexed share price performance for the constituent companies of the EAC coverage group and the ASX200 Health Index.

ASX 200 Health Index
 Integrated healthcare services
 Healthcare supplies/medical equipment
 Pharmacy
 Ancillary services

CONSTITUENTS

Integrated healthcare services	Ticker	Closing Price	Monthly Movement	Market Cap (AUD)	EV (AUD)	EV / EBITDA (LTM)	EV / EBITDA (NTM)	P / E (Trailing)	P / E (Forward)	ND / EBITDA (Trailing)	Div Yield (Trailing)
Healius Limited	HLS	3.68	9.2% ▲	2,292.7	3,926.8	12.0x	8.9x	31.8x	19.6x	5.0x	NM
Ramsay Health Care Limited	RHC	63.05	1.1% ▲	14,356.5	22,070.2	14.8x	11.7x	48.3x	32.2x	5.2x	NM
Average			2.3%			13.4x	10.3x	40.1x	25.9x	5.1x	NA
Healthcare supplies/medical equipment											
Compumedics Limited	CMP	0.52	26.8% ▲	92.1	90.5	NM	23.5x	NM	49.5x	NM	NM
Cochlear Limited	COH	220.42	3.9% ▲	14,490.8	14,265.3	49.7x	37.8x	NM	63.1x	NM	NM
CSL Limited	CSL	297.38	3.4% ▲	135,300.3	142,245.5	28.3x	30.5x	44.5x	44.2x	1.4x	0.9%
Cyclopharm Limited	CYC	2.40	18.2% ▲	192.7	189.4	NM	172.2x	NM	NM	NM	NM
Nova Eye Medical Limited	EYE	0.36	9.2% ▲	51.0	NM	8.6x	NM	NM	NM	NM	NM
ImpediMed Limited	IPD	0.17	96.4% ▲	177.6	158.8	NM	NM	NM	NM	NM	NM
Mesoblast Limited	MSB	4.16	35.9% ▲	2,441.1	2,431.2	NM	NM	NM	NM	NM	NM
Nanosonics Limited	NAN	6.66	29.3% ▲	2,004.7	1,915.5	NM	101.0x	200.0x	161.3x	NM	NM
Paragon Care Limited	PGC	0.24	23.1% ▲	81.1	176.2	18.4x	NM	NM	NM	10.0x	NM
Resonance Health Limited	RHT	0.16	3.2% ▲	71.2	64.3	NM	NM	NM	NM	NM	NM
SomnoMed Limited	SOM	2.06	13.8% ▲	170.5	155.8	NM	32.3x	NM	137.7x	NM	NM
Fisher & Paykel Healthcare Corp Ltd	FPH	34.30	4.1% ▲	19,758.5	19,712.2	35.1x	32.1x	53.1x	49.1x	NM	NM
Average			4.2%			28.0x	61.3x	99.2x	84.2x	5.7x	0.9%
Pharmacy											
Australian Pharmaceutical Industries Ltd	API	1.21	10.0% ▲	593.7	797.7	6.3x	7.1x	NM	15.4x	1.6x	1.7%
EBOS Group Limited	EBO	23.78	(1.9%) ▼	3,889.0	4,473.6	13.0x	12.6x	23.1x	20.1x	1.7x	3.1%
Green Cross Health Limited	NZSE:GXH	0.99	1.4% ▲	142.2	236.3	4.7x	NM	NM	NM	2.1x	NM
Average			0.1%			8.0x	9.9x	23.1x	17.8x	1.8x	2.4%
Ancillary services											
Capitol Health Limited	CAJ	0.28	12.0% ▲	287.0	352.8	9.7x	10.9x	280.3x	25.1x	1.8x	3.6%
Integral Diagnostics Limited	IDX	4.23	0.7% ▲	839.8	1,059.7	16.4x	12.4x	34.4x	23.2x	3.4x	2.2%
Monash IVF Group Limited	MVF	0.74	27.8% ▲	286.4	331.2	10.5x	7.8x	16.3x	14.4x	1.4x	NM
1300SMILES Limited	ONT	6.75	5.6% ▲	159.8	176.8	11.6x	9.0x	22.4x	17.5x	1.1x	3.8%
Pacific Smiles Group Limited	PSQ	1.98	7.0% ▲	303.2	373.1	11.4x	12.6x	47.1x	28.0x	2.1x	NM
Sonic Healthcare Limited	SHL	32.94	(5.4%) ▼	15,738.1	19,215.6	14.2x	9.8x	29.8x	17.3x	2.5x	2.6%
Virtus Health Limited	VRT	5.35	19.2% ▲	427.6	663.1	10.1x	8.3x	NM	13.3x	3.6x	NM
Average			(3.9%)			12.0x	10.1x	71.7x	19.8x	2.3x	3.1%
Coverage Group Average						14.9x	24.5x	70.1x	36.2x	2.8x	2.7%

KEY DEVELOPMENTS

Activity

- **1300MILES Limited (ASX:ONT)** entered into an agreement to acquire an additional dental practice in Bundaberg. The expansion will be funded from cash reserves and existing debt facilities.
- BGH Capital completed the acquisition of Primary Care Business from **Healius Limited (ASX:HLS)** for AU\$485M. Healius will utilise the capital proceeds to pay down net debt and support growth initiatives in the Pathology, Imaging and Day Hospitals business.
- **Capitol Health Limited (ASX:CAJ)** entered into a binding agreement to acquire the businesses of Direct Radiology for AU\$12M. Direct Radiology reported revenues of AU\$6.1M and EBITDA of AU\$1.4M in FY2020 despite significant headwinds posed by the COVID-19 pandemic.
- **Mesoblast Limited (MSB)** has received US\$25M in equity funding from Novartis. The financing pertains to the exclusive worldwide license and collaboration agreement with Mesoblast for the development, commercialization and manufacturing of remestemcel-L. If the pre-specified commercialisation and sales targets are met, Mesoblast could receive up to US\$1.7B in earn-outs and royalty payments from Novartis.

EAC PARTNERS

EAC Partners is an independent corporate advisory firm providing a full suite of mid-market merger, acquisition, divestment, capital structure and corporate finance services to private and public companies, located within Australia and abroad

Transaction Experience



Sibelco: Advised on the divestment of their sand mining operations to Holcim Australia



mpower: Advised on the sale of the Australian and New Zealand products distribution businesses



Zentree: Advised on takeover panel application regarding equity rights issue by ERA, underwritten by Rio Tinto



Safe Direction: Completed a strategic and capital structure review



Batchfire: Advised in relation to a AUD25M equity rights issue



Running Bare: Completed a strategic review



Matt Brown's Greens: Advised on its sale to MorCo Fresh



Yello: Advised in relation to its series A capital raising



ATL: Advised on its USD500M investment grade bond offer
Advised on their finance plan, which included rating advice



Smollen Group: Advised Australia's largest real estate franchise on its AUD70M sale to McGrath Limited



Enviropacific Services: Advised on the divestment of 44% of the shares to Adexum Capital



Holcim: Strategic review of two non-core assets



Moko: Advised in relation to an acquisition and capital raise



Freemantle Media: Advised on the takeover of a listed media business



APSEZ: Advised on acquisition of Abbot Point Bulkcoal from Glencore
Advised on its inaugural USD650M investment grade bond offer



Sibelco: Advised on the acquisition of an industrial minerals producer



Adani: Advised on the AUD1.25B refinance of Adani Abbot Point Terminal

Awards



EAC Partners received the 2018 award for "Best M&A Advisory Firm – Australia"



EAC Partners received the 2018 award for "Most Client-Focused Corporate Advisory Firm – NSW"

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