



Capstone Partners

HEALTHCARE STAFFING

Q1 2016

CONTACTS

Eric Williams

Managing Director
(215) 854-4065
ewilliams@capstonellc.com

Mark Surowiak

Director
(215) 854-4063
msurowiak@capstonellc.com

Daniel Schultz

Director of Business Development
(617) 619-3368
dschultz@capstonellc.com

BOSTON
CHICAGO
LONDON
LOS ANGELES
NEW YORK
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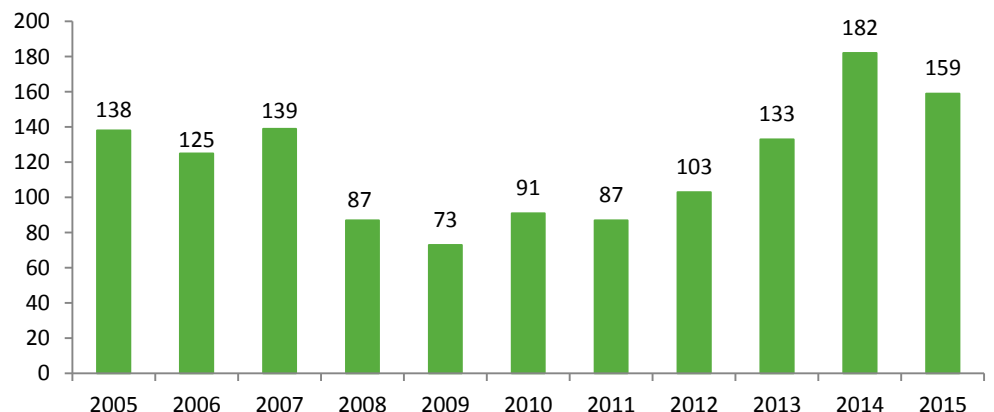
MERGERS & ACQUISITIONS

Deal volume in the broader Human Resources and Staffing Services industry declined slightly year over year with 159 deals completed in 2015. Within the Healthcare Staffing sector, however, deal volume was virtually unchanged with 19 deals in 2015 versus 20 in 2014. Despite the small downturn, deal volume is still at an elevated level with high multiples and attractive industry fundamentals. This is readily apparent when looking at publicly traded healthcare staffing firms which trade at 30%+ premium compared to their general staffing brethren. Merger and acquisition activity was especially strong among companies that specialize in higher growth segments (such as Cross Country's recent acquisition of Mediscan), as well as companies that are well positioned to capitalize on clinician shortages (exemplified by MTS Health Investors equity investments in HCCA Health Connections and HCCA International).

OUTLOOK

The Healthcare Staffing sector is expected to feature robust activity in 2016 driven by a number of favorable demographic and industry trends. With the Affordable Care Act expanding insurance coverage, millions of baby boomers moving into their senior years, a large cohort of physicians and nurses retiring, and increasingly complex patient care, providers are unable to meet their dire need for clinicians and allied healthcare professionals and are increasingly turning to outsourced staffing companies. Additionally, healthcare providers are responding to on-going economic pressures replacing the longer-term fixed costs burden of permanent hiring with a variable model (temp staffing) better suited to respond to fluctuations in patient census. Despite the consolidation in the past few years, the \$14.9 billion Healthcare Staffing industry remains highly fragmented consisting of over 2,200 firms with many smaller companies operating on a local or regional level.

Staffing Industry M&A Transaction Volume



NOTABLE RECENT M&A TRANSACTIONS

Several notable transactions were completed or announced in the Healthcare Staffing industry in 2015. Selected transactions are outlined below, followed by a more comprehensive list in the following table.

- ▶ **Private equity firm MTS acquired stake in HCCA (January 2016)** – HCCA Health Connections and HCCA International (collectively known as “HCCA”) has recently received a strategic equity investment by MTS Health Investors, a private equity firm dedicated solely to healthcare. Terms of the deal were not disclosed. HCCA provides offshore clinical resources to US healthcare companies including a domestic nurse staffing business that recruits experienced, qualified nurses for deployment at US based hospitals. With a chronic shortage of nurses in the market, HCCA hopes to leverage MTS’s relationships and use the influx of capital to drive growth. David Bartholomew, HCCA’s CEO, said, “The strategic partnership with MTS will provide us with an experienced partner who can help us execute on our growth strategy and enhance the value we deliver to our clients. MTS’s strong network of relationships and industry expertise will augment our capabilities and support us in expanding the breadth of our service offering.”
- ▶ **AMN acquired third healthcare leadership recruiting company with acquisition of B.E. Smith (November 2015)** – B.E. Smith, a leading provider of interim healthcare leadership, executive search and advisory services, was recently acquired by AMN Healthcare (AMN) for \$160 million in cash and at a multiple of approximately 10.7x EBITDA. The deal is the latest in a string of acquisitions by AMN, including The First String Healthcare (September) and Millican Solutions (October), that provide leadership solutions to healthcare organizations. Susan Salka, President and CEO of AMN explained the strategy by stating, “With increased demand and the evolution of new care delivery models, healthcare clients are faced with the critical challenge of recruiting the key executives and talent needed to lead the dramatic transformation their organizations are experiencing. The added strength of B.E. Smith’s recruitment expertise and nationwide talent pool of healthcare leaders and executives further increases the strategic value that AMN Healthcare delivers to clients through our breadth of innovative workforce solutions.”
- ▶ **Cross Country acquired Mediscan (October 2015)** – Demand for healthcare staffing services related to special education programs in the US is being fueled by rising therapy requirements, a shortage of therapists (particularly SLPs and OTS) in many regional markets, and the growing population of special needs children due to better diagnosis. Not surprisingly, these favorable industry dynamics are being recognized by some of the largest general healthcare staffing firms as evidenced by publicly traded Cross Country’s recent acquisition of Mediscan due in large part to a desire to increase their presence in the fast-growing public school and charter school markets. Mediscan was acquired by Cross Country for approximately \$28 million in cash, \$5 million in stock and \$7 million in earn-out equating to about an EBITDA multiple of 10x.

HEALTHCARE STAFFING: SELECT M&A TRANSACTIONS

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
03/01/16	SironaHealth	Citra Health	Offers outsourced telehealth and call center services to healthcare organizations.	-	-	-
02/11/16	Supplemental Health Care	The Vistria Group	Provides healthcare staffing for nursing, therapy and imaging, physician and physician assistant professionals.	-	-	-
01/21/16	Masters IT	MSI International	Provides healthcare IT staffing solutions to hospitals and healthcare organizations.	-	-	-
01/08/16	HCCA	MTS Health Investors	Provides clinical process outsourcing as well as health care recruitment and management.	-	-	-
01/04/16	The Medicus Firm	M3 USA	Offers physician permanent placement services in various practices.	-	-	-
12/08/15	Med Staff On-Call	Med-Call Healthcare	Offers nursing staffing solutions to health care facilities.	-	-	-
12/01/15	Allied Healthcare	Aurelius	Offers staffing services to the healthcare and social care industry in the United Kingdom.	\$28.6	-	-
11/17/15	B. E. Smith	AMN Healthcare	Provides executive leadership solutions for the healthcare industry in the US.	\$160.0	1.6x	10.7x
10/30/15	Mediscan	Cross Country Healthcare	Provides temporary healthcare recruiting, staffing and workforce solutions.	\$40.3	1.1x	10.1x
10/06/15	Millican	AMN Healthcare	Recruits physicians, administrative and C-suite leaders for the healthcare industry.	-	-	-
10/05/15	MedQuery	Schlesinger Associates	Provides medical recruiting services for rare medical personnel.	-	-	-
09/23/15	Healthcare Staffing	Thomas H. Lee Partners	Recruits temporary travel nurses for urgent staffing needs to maintain the continuity of care for clients and patients.	-	-	-
09/15/15	The First String Healthcare	AMN Healthcare	Provides interim and permanent nurse management, and executive recruitment to healthcare related businesses.	\$10.5	-	-
08/25/15	Hospital Physician Partners	Schumacher Group	Offers emergency and hospital medicine contract management services.	-	-	-
08/04/15	IPC Healthcare	Team Health Holdings	Provides acute hospitalist and post-acute care services in the US.	\$1,487.6	2.1x	21.0x
07/31/15	Lutz Surgical Partners	A Private Investment Group	A surgicalist practice in the FL and AZ markets.	CF	CF	CF
07/15/15	Jackson Pharmacy	Jackson & Coker	Specializes in the placement of pharmacists and pharmacy technicians in the US.	-	-	-
06/04/15	Advanced Medical Personnel	Clearview Capital	Provides occupational, physical and speech therapy staffing solutions.	-	-	-
05/18/15	Virtual Radiologic	MEDNAX	Provides radiology services to hospitals.	\$500.0	2.7x	10.0x
05/01/15	Align MD and Bite Management	American Physician	Provides emergency medicine, hospitalist practice management services and staffing services.	-	-	-
02/13/15	Therapy Staff	Aequor Healthcare	Provides therapist recruiting and staffing services to customers in the healthcare industry in the US.	-	-	-
02/12/15	Ruby Crest Emergency	Team Health Holdings	Manages and staffs hospital emergency departments.	-	-	-
02/01/15	VISTA Staffing Solutions	EmCare	Offers physician staffing and permanent physician search services, consulting services and placements.	\$123.0	0.9x	-
01/07/15	Onward Healthcare	AMN Healthcare	A healthcare company providing integrated travel nursing assignments and temporary nurse staffing solutions.	\$82.5	-	-

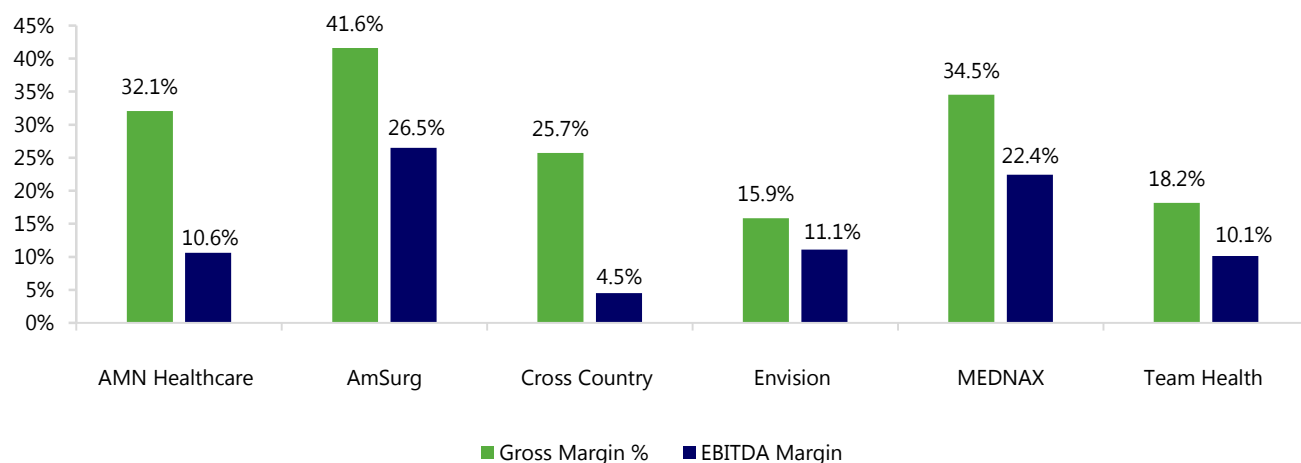
HEALTHCARE STAFFING: PUBLIC COMPANY TRADING & OPERATING DATA

Company	Price 03/10/16	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV/LTM	
					Revenue	EBITDA	Margin	Revenue	EBITDA
AMN Healthcare Services Inc.	\$32.09	85.6%	\$1,534.5	\$1,743.5	\$1,463.1	\$154.9	10.6%	1.2x	11.3x
AmSurg Corp.	\$72.54	83.0%	\$3,916.1	\$7,048.6	\$2,566.9	\$679.3	26.5%	2.7x	5.0x
Cross Country Healthcare, Inc.	\$14.03	74.8%	\$457.0	\$544.9	\$767.4	\$34.8	4.5%	0.7x	15.6x
Envision Healthcare Holdings, Inc.	\$21.62	47.1%	\$4,044.1	\$6,955.0	\$5,447.9	\$607.1	11.1%	1.3x	11.5x
MEDNAX, Inc.	\$64.92	75.4%	\$6,019.7	\$7,234.3	\$2,780.0	\$622.1	22.4%	2.6x	11.6x
Team Health Holdings, Inc.	\$43.59	62.1%	\$3,205.5	\$5,585.4	\$3,597.2	\$362.4	10.1%	1.6x	15.4x

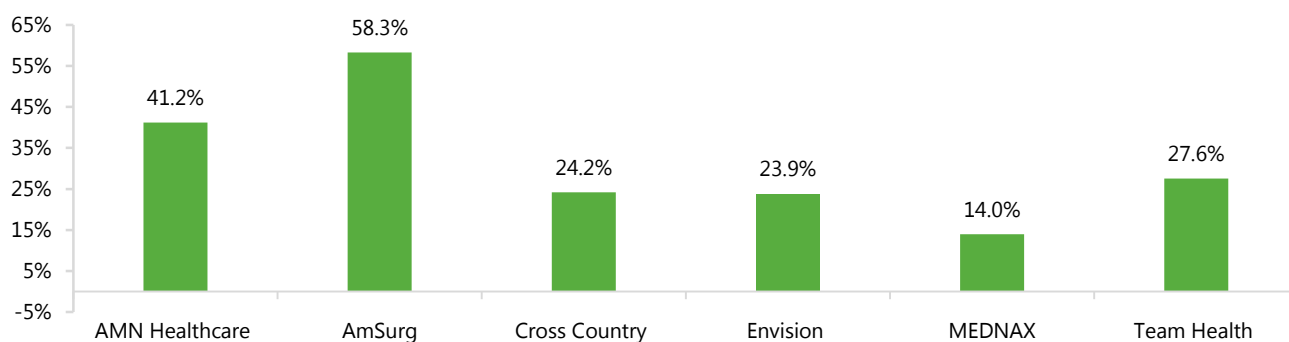
EV = enterprise value; LTM = last twelve months
\$ in millions, except per share data
NM = Not Meaningful; NA = Not Available

Mean	14.2%	1.7x	11.7x
Median	10.9%	1.4x	11.5x
Harmonic Mean	10.2%	1.4x	10.2x

Last Twelve Month Margin Performance



Last Twelve Month 1-Year Revenue Growth



Source: Capital IQ as of March 10, 2016

GENERAL STAFFING: PUBLIC COMPANY TRADING & OPERATING DATA

Company	Price 03/10/16	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV/LTM	
					Revenue	EBITDA	Margin	Revenue	EBITDA
Adecco S.A.	\$62.26	73.2%	\$10,863.1	\$12,014.4	\$24,574.3	\$1,385.6	5.6%	0.5x	8.7x
Kelly Services, Inc.	\$17.65	97.7%	\$670.7	\$684.0	\$5,518.2	\$89.0	1.6%	0.1x	5.0x
Kforce Inc.	\$18.11	61.7%	\$514.8	\$597.7	\$1,319.2	\$81.4	6.2%	0.5x	7.3x
ManpowerGroup Inc.	\$77.48	80.0%	\$5,593.1	\$5,785.5	\$19,329.9	\$784.7	4.1%	0.3x	7.4x
On Assignment Inc.	\$34.70	68.0%	\$1,846.1	\$2,577.7	\$2,065.0	\$218.6	10.6%	1.2x	11.8x
Robert Half International Inc.	\$41.52	65.6%	\$5,360.7	\$5,137.3	\$5,094.9	\$633.9	12.4%	1.0x	8.1x
TrueBlue, Inc.	\$24.23	76.9%	\$988.7	\$1,204.6	\$2,695.7	\$144.8	5.4%	0.4x	8.3x

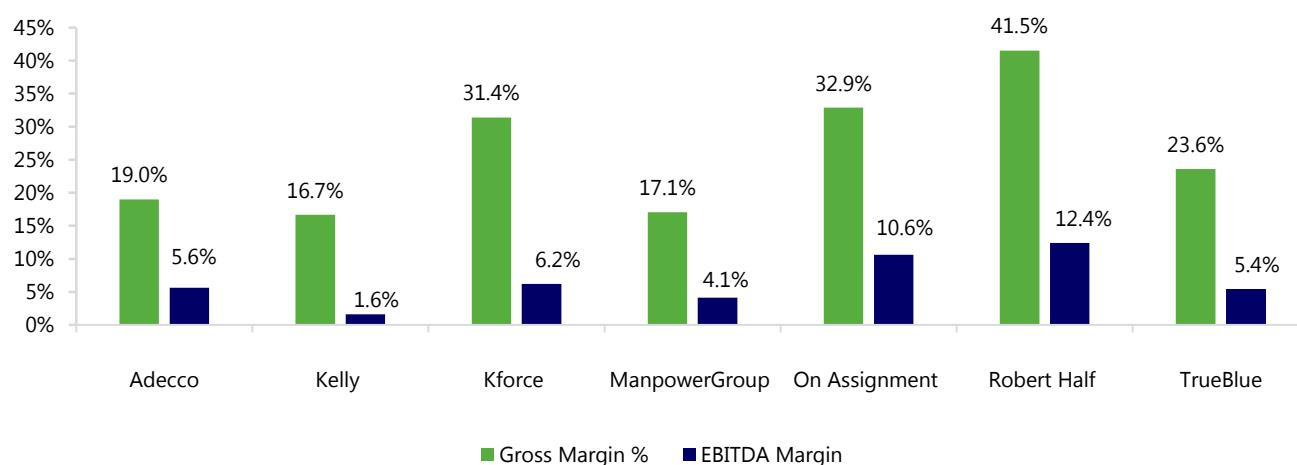
EV = enterprise value; LTM = last twelve months

\$ in millions, except per share data

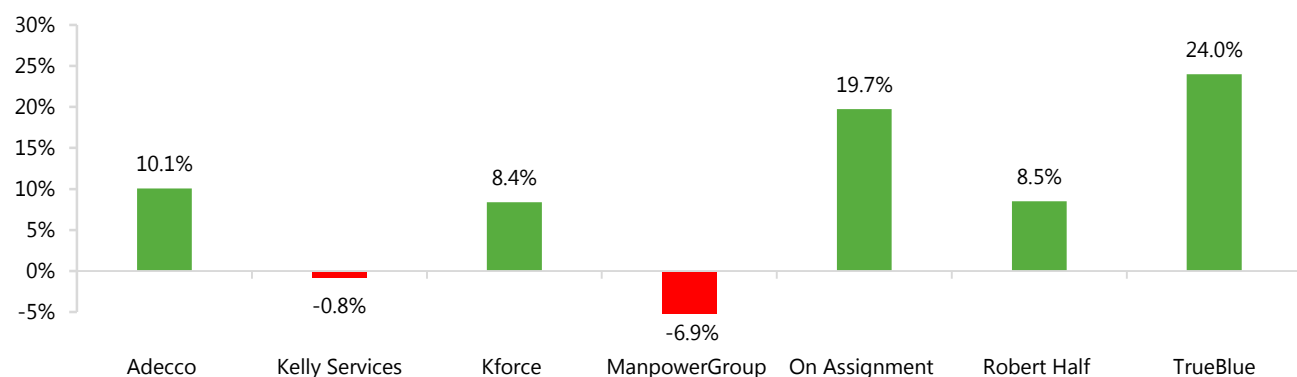
NM = Not Meaningful; NA = Not Available

Mean	6.6%	0.6x	8.1x
Median	5.6%	0.5x	8.1x
Harmonic Mean	4.5%	0.4x	7.6x

Last Twelve Month Margin Performance



Last Twelve Month 1-Year Revenue Growth



Source: Capital IQ as of March 10, 2016

CAPSTONE PARTNERS: COMPLETED HEALTH & MEDICAL TRANSACTIONS

Capstone Partners has successfully advised on a number of transactions related to the sale of healthcare staffing and talent management firms. These and other health & medical transactions are shown below. Capstone's experience in the sector provides us with insight into the valuable attributes and likely valuation of target companies, the active buyers in the industry and the nuances of transactions in the space.

<p>CONFIDENTIAL</p> <p>is pursuing a corporate sale</p> <p>PEDIATRIC NURSE STAFFING</p>	<p>CONFIDENTIAL</p> <p>is pursuing a corporate sale</p> <p>ALLIED HEALTHCARE STAFFING</p>	<p>CONFIDENTIAL</p> <p>is pursuing a corporate sale</p> <p>OUTSOURCED CLINICAL SERVICES PROVIDER</p>	<p>LSP LUTZ SURGICAL PARTNERS</p> <p>has recapitalized with</p> <p>A PRIVATE INVESTMENT GROUP</p>	<p>TDOC AIR-CHARGED CATHETERS</p> <p>has been acquired by</p> <p>LABORIE a portfolio company of AUDAX GROUP, INC.</p>
<p>Invivo HealthCare Associates, Inc. ...Helping Kids Be Kids®</p> <p>has been acquired by</p> <p>POST CAPITAL</p>	<p>SMA Surgical Monitoring Associates® Guardians of the Nurse System®</p> <p>has been acquired by</p> <p>SC SpecialtyCare Your Trusted Clinical Partner</p>	<p>Tricore® Educate. Influence. Motivate.</p> <p>has been acquired by</p> <p>highroad CAPITAL PARTNERS</p>	<p>plastek</p> <p>has divested assets to</p> <p>R ROMEO RIM, INC.</p>	<p>AGGU * MET LASER, inc.</p> <p>has been acquired by</p> <p>RiversidePartners™</p>
<p>the ame group Professionalism. Reliability. Managing Well.</p> <p>has acquired</p> <p>CERTIFIED IT & ITRICITY FREEDOM DATA</p>	<p>Radius Medical TECHNOLOGIES, INC.</p> <p>has divested assets to</p> <p>vascular SOLUTIONS</p>	<p>KERADERM. HARNESSING THE HEALING POWER OF LIGHT</p> <p>has secured financing from</p> <p>NEWVA CAPITAL PARTNERS, LP</p>	<p>nova science</p> <p>has been acquired by</p> <p>Abbott A Promise for Life</p>	<p>DR Drug-Research-Development</p> <p>has been acquired by</p> <p>BHG Behavioral Health Group</p>
<p>EMERSON</p> <p>has been acquired by</p> <p>RESPIRONICS</p>	<p>INTERLEUKIN GENETICS</p> <p>acquisition advisory</p> <p>Alan James Group, i.t.c.</p>	<p>Catalyst on-line</p> <p>has been acquired by</p> <p>GREY HEALTHCARE GROUP</p>	<p>Squire Cogswell aercs</p> <p>has been acquired by</p> <p>Ohio Medical Corporation a portfolio company of MVC CAPITAL</p>	<p>angioLINK</p> <p>has been acquired by</p> <p>Medtronic</p>
<p>CLINICAL INNOVATIONS</p> <p>has been acquired by</p> <p>ROUNDTABLE HEALTHCARE PARTNERS</p>	<p>R</p> <p>has been acquired by</p> <p>HURON CAROL FINNIS</p>	<p>binax</p> <p>has been acquired by</p> <p>inverness medical innovations</p>	<p>Radius Medical TECHNOLOGIES, INC.</p> <p>has divested assets to</p> <p>Medtronic</p>	<p>NEPG New England Precision Grinding Company</p> <p>has been acquired by</p> <p>RiversidePartners™</p>

THE HEALTHCARE STAFFING TEAM



Eric Williams, Managing Director

ewilliams@capstonellc.com • (215) 854-4065

Eric serves as Managing Director and Head of the Atlantic Region for Capstone. Prior to Capstone, Eric was responsible for managing the Eastern region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. Eric has more than 20 years of experience managing strategic sale assignments and leveraged recapitalizations for owners of privately held companies. He is head of Capstone's Health and Medical practice and has successfully completed over 100 transactions in a wide range of industries including pharmaceutical outsourcing, health care services, medical device, contract manufacturing, and education and training. In 2013, he received the "M&A Deal of the Year" M&A Advisor award for his work on the acquisition and majority recapitalization of Invo HealthCare Associates, Inc. and in 2014 was awarded both "M&A North American Middle Market Deal of the Year" at the M&A Atlas Awards and "Cross Border Deal of the Year" from the M&A Advisor for his work on the sale of T-DOC Company LLC. He has also executed complex cross-border transactions with foreign buyers based in London, Germany, Sweden and Switzerland. He graduated cum laude from the University of California and is a Series 24 Registered Securities Principal.



Mark Surowiak, Director

msurowiak@capstonellc.com • (215) 854-4063

Mark is a Director in the Philadelphia office, supporting the management of the Atlantic Region. Previously, Mark served over 10 years as a senior investment banking professional in Morgan Stanley Smith Barney's Capital Strategies Group. Over his career, Mark has focused on developing deep credentials and expertise in the sale and recapitalization of privately held businesses. Prior to investment banking, Mark enjoyed a career in the social services field. Mark is a graduate of Illinois State University with a BS in Business Administration. He is a Series 7 and 63 Registered Securities Representative.



Daniel Schultz, Director of Business Development

dschultz@capstonellc.com • (617) 619-3368

Dan oversees Capstone's national business development and industry coverage activities, working closely with current and prospective clients of the firm on matters related to corporate sales, recapitalizations, mergers & acquisitions and growth financings. In his role, Dan is able to deliver specific market intelligence to clients regarding M&A, financing, strategic, industry and competitive trends. Prior to spearheading the firm's business development and market initiatives, he was a Vice President in Capstone's M&A group, managing numerous successful transactions across a variety of industries. Dan also gained hands-on transaction experience as an investment banker at Headwaters MB. He started his career with Ernst & Young's National Professional AABS practice in New York and later worked in Assurance and Advisory Business Services in the Denver office. Dan received a BE in Biomedical Engineering with a Business Minor from Vanderbilt University. He earned an MBA and a Master of Accountancy from the Daniels College of Business at the University of Denver.

CAPSTONE'S OFFICE LOCATIONS

BOSTON

176 Federal Street
3rd Floor
Boston, MA 02110
(617) 619-3300

CHICAGO

200 South Wacker Drive
Suite 3100
Chicago, IL 60606
(312) 674-4531

LONDON

42 Brook Street
London W1K 5DB
United Kingdom
+44 (0) 203 427 5068

LOS ANGELES

401 Wilshire
Suite 1200
Santa Monica, CA 90401
(858) 926-5950

NEW YORK

41 Madison Avenue
31st Floor
New York, NY 10010
(212) 634-0855

ORANGE COUNTY

23046 Avenida de la Carlota
Suite 600
Laguna Hills, CA 92653
(949) 460-6431

PHILADELPHIA

1515 Market Street
12th Floor
Philadelphia, PA 19102
(215) 854-4063

SAN DIEGO

12707 High Bluff Drive
Suite 200
San Diego, CA 92130
(858) 926-5950

SILICON VALLEY

228 Hamilton Avenue
3rd Floor
Palo Alto, CA 94301
(650) 319-7370

TAMPA

1550 W Cleveland Street
Suite 10
Tampa, FL 33679
(813) 251-7285

ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a premier investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides M&A, corporate restructuring, private placement and financial advisory services. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, New York, Orange County, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in 70 offices across 31 countries.

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about our expertise,
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