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**FOURTH QUARTER 2004 CAPS OFF A RECORD YEAR IN HEALTH CARE M&A,
ACCORDING TO NEW REPORT FROM IRVING LEVIN ASSOCIATES, INC.**

NEW CANAAN, CT – January 7, 2004 – During the fourth quarter of 2004, merger and acquisition volume in the health care industry fell just 3% from the previous quarter and 9% from the year-ago quarter, Q4:03. The contribution of each sector to this market is noted in the chart below. The real story, however, lies in the prices paid to make these deals. Based on revealed prices, a total of \$50.6 billion was spent to finance Q4:04's 211 transactions. This amount represents a 138% increase from the \$21.3 billion committed to fund health care M&A in Q3:04, and a 13% increase over the \$44.7 billion spent in Q4:03.

THE HEALTH CARE M&A MARKET Q4:04 – DEAL VOLUME BY SECTOR

<u>Sector</u>	<u>Q4:04 Deals*</u>	<u>Q3:04 Deals</u>	<u>% Change</u>	<u>Q4:03 Deals</u>	<u>% Change</u>
<i>Services Segment:</i>					
Long-Term Care	25	26	-4%	25	0%
Hospitals	16	17	-6%	10	+60%
Laboratories, MRI, Dialysis	10	9	+11%	9	+11%
Managed Care	8	11	-27%	7	+14%
Physician Medical Groups	8	4	+100%	10	-20%
Home Health	7	8	-13%	3	+133%
Behavioral Health	1	7	-86%	4	-75%
Rehabilitation	1	3	-67%	4	-75%
Other	<u>29</u>	<u>27</u>	<u>+7%</u>	<u>29</u>	<u>0%</u>
Services Subtotal	105	112	-6%	101	+4%
<i>Technology Segment:</i>					
Pharmaceuticals	39	48	-19%	49	-20%
Medical Devices	32	30	+7%	42	-24%
Biotechnology	22	15	+47%	27	-19%
e-Health	<u>13</u>	<u>13</u>	<u>0%</u>	<u>14</u>	<u>-7%</u>
Technology Subtotal	106	106	0%	132	-20%
Grand Total	211	218	-3%	233	-9%

**Preliminary figures*

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Long-Term Care continued to lead the services segment, picking up steam during the latter half of 2004. “Just as distressed properties were disappearing from the market, quality properties and portfolios emerged during the past two quarters to take their place,” stated Stephen M. Monroe, managing editor at Irving Levin Associates, Inc. “With capital flowing back into the market and cap rates declining, some of the prices paid were the richest we have seen in five years.”

Though the Pharmaceutical sector generated the greatest deal volume in Q4:04, Medical Devices topped the list in prices paid. A combined total of \$29.5 billion, or 58% of the \$50.6 billion spent on all of health care in Q4:04, was committed to fund 32 deals in Medical Devices. “In a year packed with billion-dollar deals, the fourth quarter posted eight, three of them in the Medical Devices sector alone,” observed Sanford Steever, Ph.D., editor of the Report. “The push to achieve dominance in certain promising technologies, such as drug-coated stents, will continue to drive dealmaking in this sector in the coming year.”

The fourth quarter accounted for 2% of the year’s 867 deals, and 26% of the \$191 billion committed to finance that activity. As the chart below shows, it caps off the single richest year in the past five.

<u>Year</u>	<u>Deal Volume</u>	<u>Dollars Committed</u>
2004	867	\$191.0 billion
2003	928	\$93.8 billion
2002	948	\$97.9 billion
2001	817	\$74.5 billion
2000*	725	\$125.4 billion
*Data incomplete for Health Care Technology Segment		



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“While the current situation has much to be optimistic about in the near term, the M&A market may take a breather for companies to integrate acquisitions and investors to consolidate gains,” commented Mr. Monroe. For more information on *The Health Care M&A Report*, or for a subscription to any Irving Levin publication, call 800-248-1668. Irving Levin Associates, Inc., established in 1948, has headquarters in New Canaan, CT and is online at www.levinassociates.com. This privately held corporation publishes research reports and newsletters, and maintains merger and acquisition databases, on the health care and senior housing markets.

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