



Recent Deal Notables

World Health Alternatives, Inc. (WHAI) acquired Pulse Healthcare Staffing, Inc. for \$15 million: WHAI paid \$13 million in cash, \$2 million in debt. It also gives Pulse management the opportunity for additional earnings for the next three years based on performance. Pulse Staffing achieved revenues of approximately \$20 million for the fiscal year ending December 31, 2003. It has approximately 175 clients across seven western states, with California being its largest market, and a database containing approximately 20,000 nurses. The acquisition effectively doubles the size of WHAI.

World Health Alternatives, Inc. (OTCBB: WHAI) acquired Superior Staffing Solutions, Inc. ("SSSI") for \$4.2 million. WHAI paid \$3.0 million in cash, \$400,000 worth of stock and issued an \$800,000 two-year debt. SSSI's President, Craig Fusting, will be joining WHAI. SSSI acquisition will be accretive to WHAI in 2004 fiscal year, adding approximately 11 cents to its EPS.

Soliant Health acquired Sunbelt Staffing Solution and The Allied Health Division of MSI International for an undisclosed amount. Sunbelt Staffing Solutions Inc. provides online recruiting and staffing services of traveling nurses, occupational, speech, and physical therapy professionals in nursing and allied healthcare industries. The Allied Health Division of MSI International provides staffing services of traveling nurses and therapy related professionals. Both transactions were closed on March 2, 2004. Soliant Health itself operates as a subsidiary of MPS Group, Inc.

CompHealth Group acquired RN Network, Inc. for an undisclosed amount: CompHealth, which prior to the acquisition focused primarily on temporary staffing of physicians, will gain a meaningful national presence in the nurse staffing segment through RN Network acquisition. RN Network had more than \$100 million in 2003 revenue. Dale West, president of RN Network, will continue to lead the company.

InteliStaf Healthcare In. acquired StarMed Staffing Group from RehabCare Group (NYSE: RHB) in a stock transaction: Under the terms of the deal, RehabCare will own 25% of InteliStaf Healthcare's outstanding equity following the close of the deal and will hold two seats on the board of directors, one of which will be the Chair of the Company's Audit Committee.

Crdentia Corp. (CRDE). acquired PSR Nurses Holdings Corp. in a stock purchase. Upon completion of the merger, all outstanding shares of capital stock of and PSR Nurses Holdings Corp. will be exchanged for aggregate consideration in an amount equal to 0.55 multiplied by the sum of the gross revenues for PSR Nurses, Ltd. for the three year period beginning September 30, 2002 and will be payable solely in shares of common stock.

Cross Country, Inc. (CCRN) acquired Med-Staff, Inc.: Cross Country, Inc. paid \$104 million in cash, plus an earn-out provision up to a maximum of \$37.5 million based on 2003 performance. The up-front payment represents a multiple of 5.4x trailing EBITDA. In conjunction with the Med-Staff acquisition, Cross Country has entered into a new \$200 million Senior Secured Credit Facility. Approximately \$125 million of these funds and \$10 million of existing cash were used to finance the Med-Staff acquisition, to refinance all of Cross Country's existing debt and to pay financing-related fees.

Public Equities

Company Name	LTM Operating Data			Enterprise Value/LTM		
	Gross Margin	EBITDA %	EBIT %	Total Rev	EBITDA	EBIT
Allied Healthcare International Inc (AHCI)	28.0%	9.1%	8.2%	0.8x	9.0x	9.9x
AMN Healthcare Services Inc.(AHS)	22.7%	8.7%	8.0%	0.8x	9.4x	10.3x
ATC Healthcare Inc (AHN)	20.9%	3.7%	1.8%	0.6x	15.2x	30.1x
Crdentia Corp. (CRDE)	22.1%	-23.6%	-26.9%	*2.9x	NM	NM
Cross Country Healthcare Inc. (CCRN)	24.0%	7.6%	6.4%	0.9x	12.4x	14.7x
Kforce Inc.(KFRC)	30.7%	2.1%	1.3%	0.7x	*34.0x	*53.1x
Med-Emerg International Inc. (MDER)	4.7%	0.8%	0.6%	0.1x	16.4x	22.5x
Medical Staffing Network Holdings Inc. (MRN)	21.5%	3.2%	1.7%	0.5x	15.7x	28.7x
National Home Health Care Corp. (NHHHC)	34.2%	8.9%	8.0%	0.4x	4.3x	4.8x
On Assignment Inc. (ASGN)	26.5%	1.5%	-2.0%	0.5x	*33.9x	NM
World Health Alternatives, Inc. (WHAI)	44.0%	14.7%	10.5%	*20.1x	*137.0x	*191.7x

Average	25.4%	3.3%	1.6%	0.6x	11.8x	17.3x
Median	24.0%	3.7%	1.8%	0.6x	12.4x	14.7x

* Not included in Average or Median calculations

Enterprise Value = Market Cap - Cash + Debt

Source: Capital IQ

Market Trends

Downturn for the overall healthcare staffing industry in the near term: Over the past year the demand for temporary healthcare professionals has declined due to a number of factors. In particular, hospitals have increased their nurse recruitment efforts, stretched the productivity of permanent staff and maximized the cost-effectiveness of outsourced staffing solutions.

Strong demand for temporary healthcare staffing services in the long run driven by a growing shortage and aging of registered nurses, an aging U.S. population expected to increase hospital admissions, state legislation regarding minimum nurse staffing levels and maximum allowable overtime, long-term operational trends among medical care facilities towards outsourcing healthcare staffing.

Increased consolidation in the still highly fragmented market: Under revenue and margin pressure during market downtime, we have seen many smaller, less efficient players exit the market as more efficient players seek outside opportunities to broaden their portfolios and to take advantage of savings achieved through consolidating back office operations.

Acquisitions as key competitive strategy: Companies such as WHAI, CRDE have used acquisition aggressively to expand geographically and to increase revenue. Incumbent companies have also rejuvenated M&A activities, mostly for diversification purposes, lured by the opportunity to cross sell to existing client base, as well as to address the need to provide a one-stop-shop solution to big healthcare organizations

On the Lookout

We believe that the healthcare staffing industry will most likely to continue to contract in the near term as initiatives to reduce expenditures on such services are made a priority at many healthcare providers. The increasingly competitive environment has made it into a grow-or-die game for many healthcare staffing companies just to remain as a going concern. As a result M&A activities are speeding up.

Size and growth rate matter: companies with revenues over \$5 million, growth margin over 25% are widely sought target, while companies with revenues over \$20 million are gem stars for acquirers.

Valuation—EBITDA or Revenue? Most acquirers go for EBITDA multiples, with 3.5x-6x being a comfortable range. Some still favor revenue multiple, considering EBITDA as too arbitrary. A revenue multiple of .3x-.5x is reasonable.

Cash based transactions: Most acquirers favor payment by cash, or a mix of cash and stock. Earn out is used sparingly, and only when it is not already in place.

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Market Snapshot

