



Healthcare M&A Update

Q1 2022

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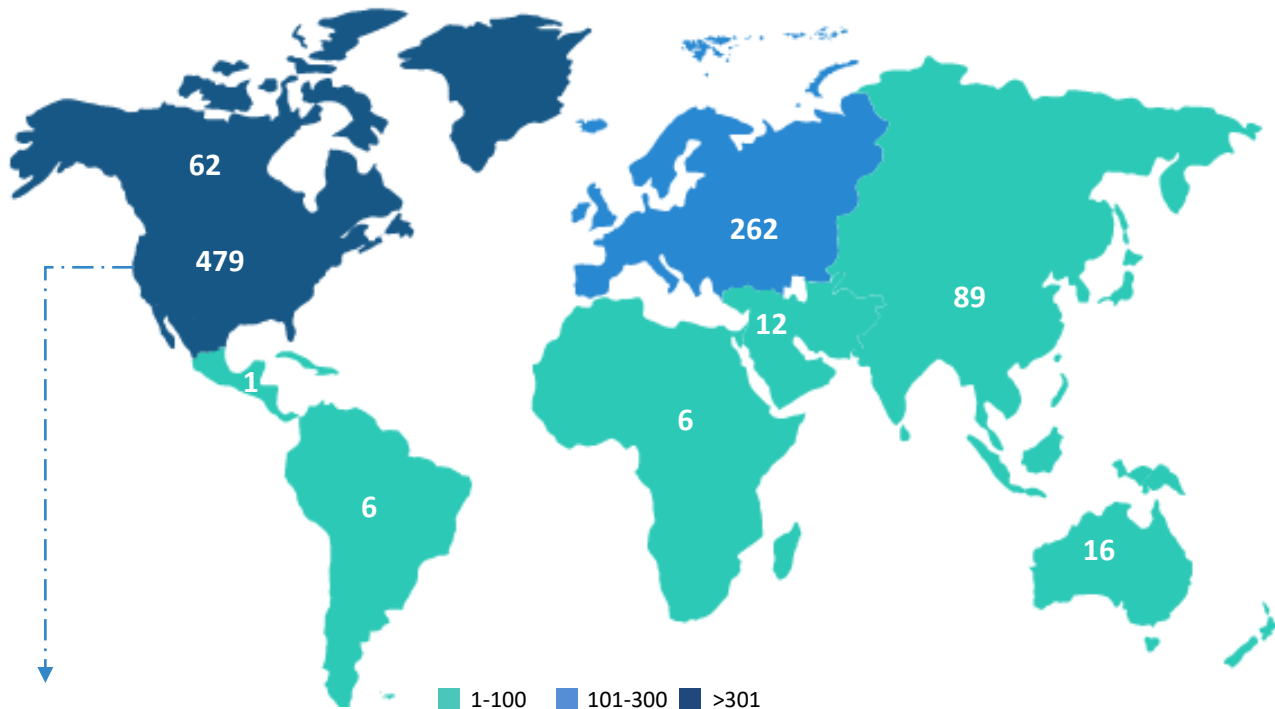
REPORT HIGHLIGHTS

- M&A deal volume was down significantly (10.3%) to 933 completed transactions in Q1 2022 from 1,040 deals in Q4 2021 and down 10.6% from 1,044 deals in Q1 of the prior year.
- Total capital invested decreased 31.5% in Q1 2022 to \$76B from \$111B in Q4 2021 but increased 46.2% from \$52B in Q1 2021.
- PE investors accounted for 53.1% of deal volume in Q1 2022 vs Strategic buyers with 46.9%. PE % share is down a bit from prior year at 54.7%.
- Bain Capital's leveraged buyout of Athenahealth for \$17B represented the largest deal in the sector in Q1 2022.
- From Q4 2021 to Q1 2022, stock prices generally edged higher while valuation multiples trended lower.

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Global Deal Analytics

Of the 933 deals in Q1 2022, North America was the most active market with 541. Europe was the second most active with 262. In Europe, the most notable transaction was ICU Medical's \$2.5 billion acquisition of Smiths Group, a manufacturer of medical devices, in January 2022. All other regions combined for a total of 130 completed transactions.



Canada: 62

United States Regions: 479

Southeast: 102

West Coast: 101

Mid Atlantic: 88

Great Lakes: 66

New England: 43

Other: 79

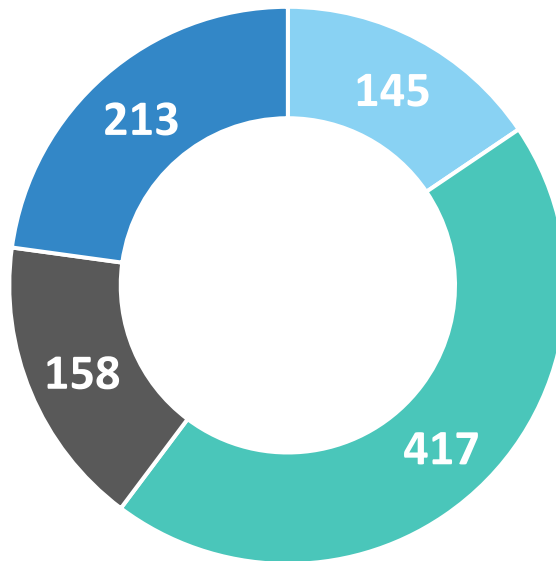
In the North American market, the Southeast region was the most active in Q1 2022 with 102 deals followed by the West Coast with 101. The Mid Atlantic, Great Lakes, and New England regions each reported 88, 66, and 43 transactions, respectively. All other regions totaled 79 closed transactions. In addition to Bain Capital's acquisition of Athenahealth referenced on page 1 of this report, Pfizer's \$6.7B acquisition of Arena Pharmaceuticals in March 2022 represented another significant transaction in the U.S. market this quarter.

Outside of the U.S. in the North America market, 62 transactions closed in the Canadian market and 1 transaction closed in the Mexican market in Q1 2022. The acquisition of Baylis Medical Company by Boston Scientific for \$1.75B in February of 2022 represented the largest completed transaction in Canada in the quarter.

Global Deal Analytics

Of the 933 Healthcare deals in Q1 2022, 417 were in the Healthcare Services subsector, making it the most active subsector in the industry from an M&A standpoint. Pharmaceuticals and Biotechnology was the second most active with 213 deals followed by Healthcare Technology Systems and Healthcare Devices and Supplies with 158 and 145 closed transactions, respectively.

Deal by Subsector



Healthcare Devices and Supplies

Healthcare Services

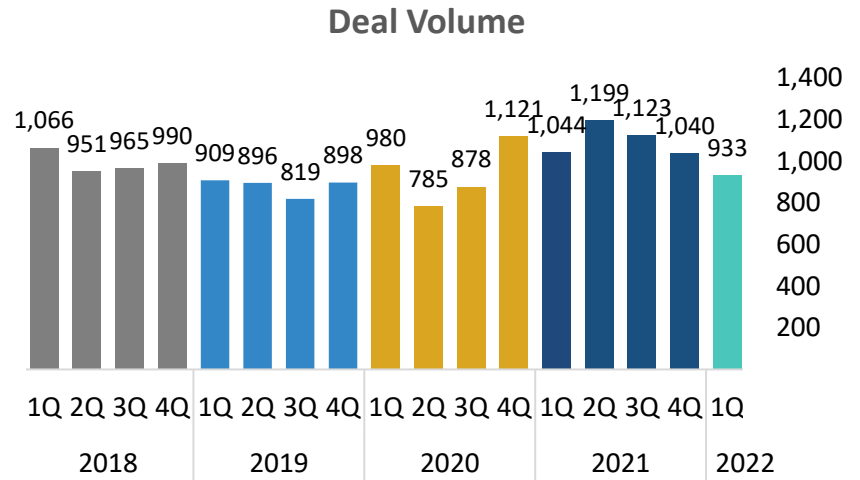
Healthcare Technology Systems

Pharmaceuticals and Biotechnology

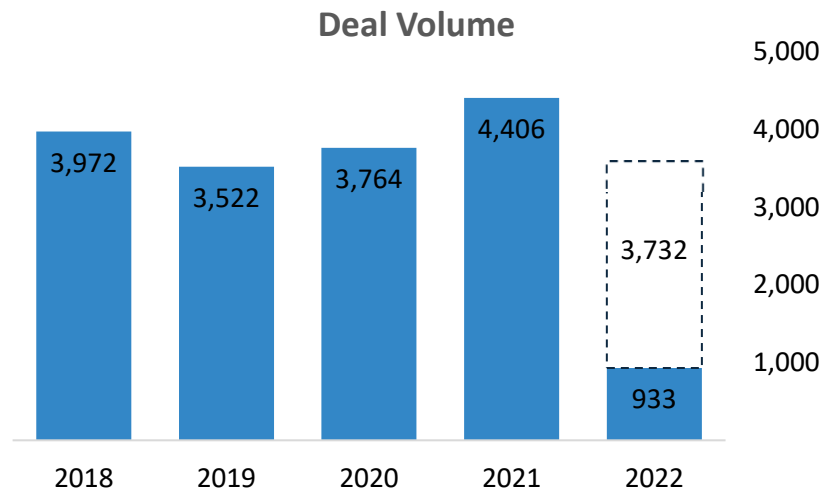


Global Deal Analytics

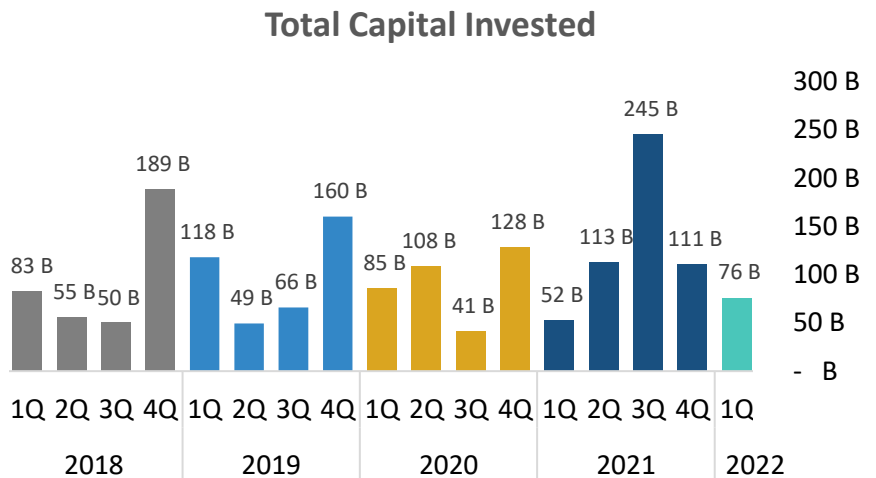
Over the last three quarters, deal volume in the Healthcare sector has been trending downward by an average of 8.0% per quarter since reaching an all time high of 1,199 in Q2 2021. In Q1 2022, deal volume dropped to the lowest level since Q3 2020 and declined 10.6% from Q1 of the prior year.



M&A deal volume is tracking towards 3,732 total transactions for 2022. This represents a 15.3% decline in forecasted deal volume from the prior year. Despite the increasing demand for healthcare services, we are forecasting this drop in M&A volume in the healthcare sector primarily due to rising interest rates and the related increasing cost of capital.



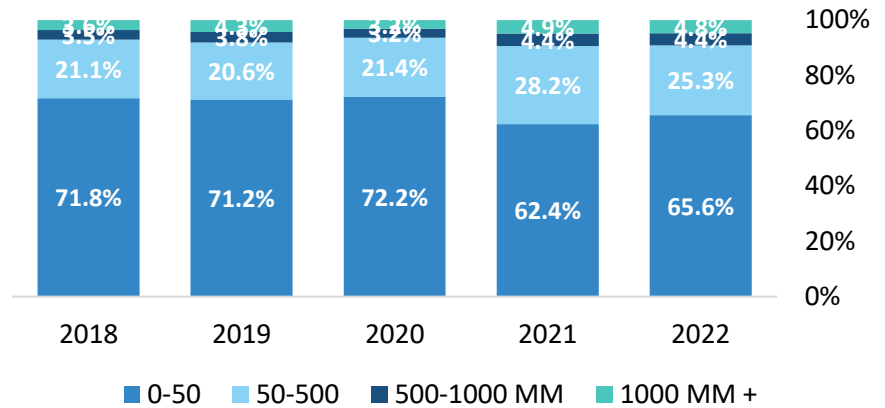
In Q1 2022, Total capital invested in M&A transactions in the Healthcare sector decreased 31.5% to \$76B from \$111B in Q4 of 2021 but increased 46.2% from 52B in Q1 2021. The decrease in total capital invested in Q1 2022 from Q4 2021 is due to a combination of an 11.3% decline in deal volume coupled with an 23.7% decline in the average deal size.



Global Deal Analytics

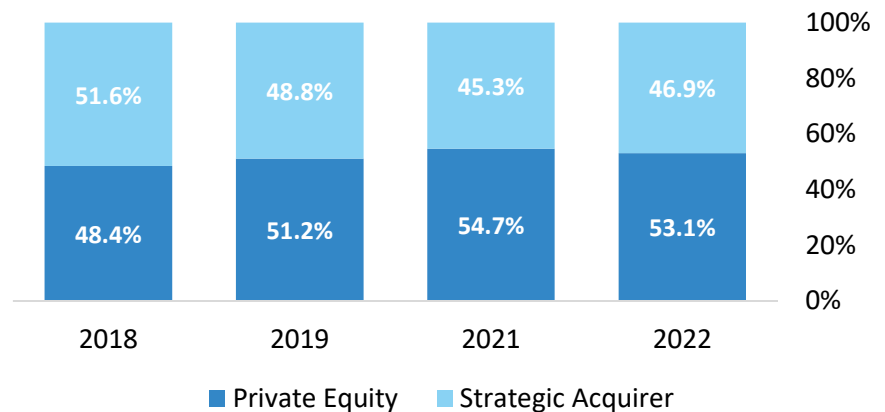
Deal volume in the lower middle market (\$0-\$50MM) saw an increase from 62.4% in FY 2021 to 65.6% in Q1 2022. On the other hand, we saw decreases in volume in the middle market (\$50-\$500MM) and larger market (\$1000MM+) from 28.2% and 4.9% to 25.3% and 4.8%, respectively. The upper middle market (\$500-\$1000MM) remained steady at 4.4% of deal volume.

Deal Volume by Deal Size



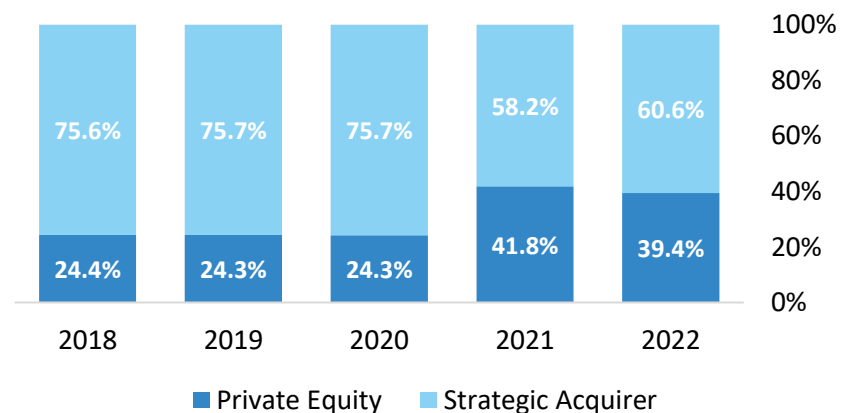
Private Equity buyers have historically accounted for the majority of M&A volume in the Healthcare sector, but we have generally seen a gradual increase in Strategic buyer activity since 2020.

Deal Volume by Acquirer



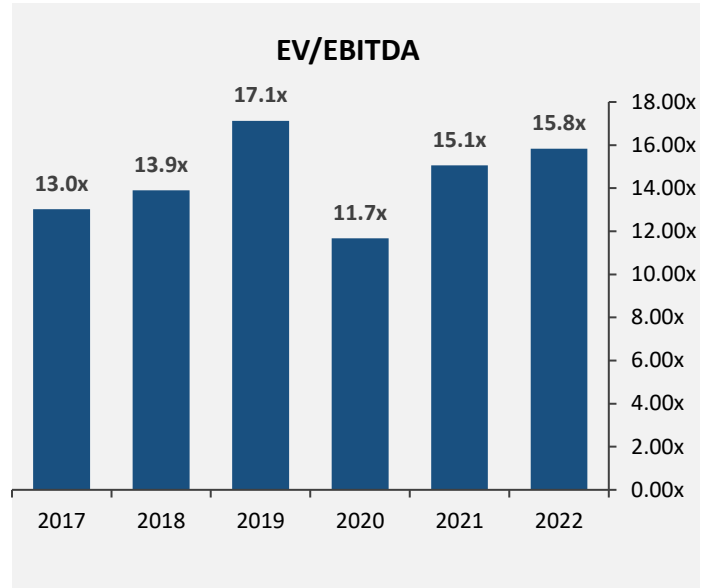
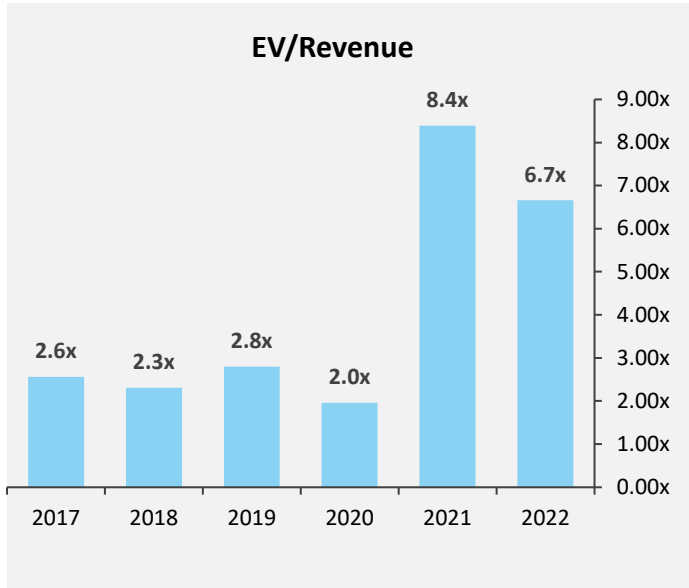
PE participation has decreased slightly in 2022 to represent 39.4% of total capital invested compared to 41.8% in the prior year. Since the beginning of 2021, we have seen significantly more capital as a (%) coming from PE firms compared to 2018-2020.

Total Capital Invested by Acquirer

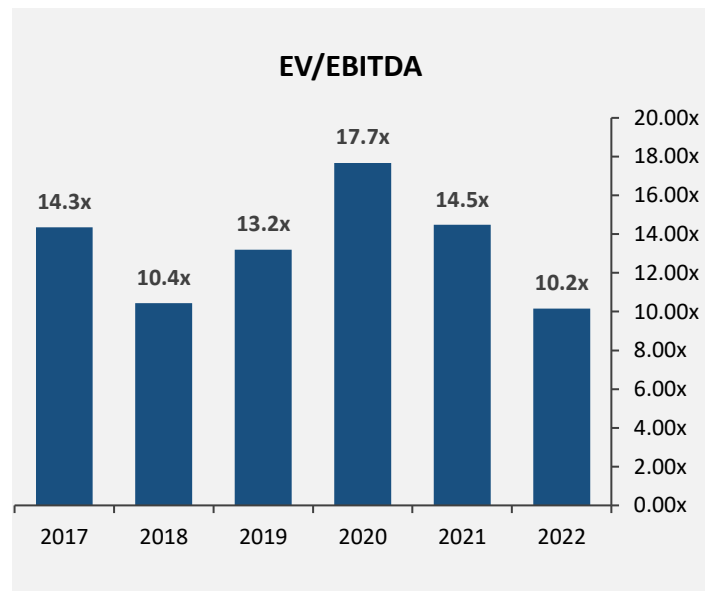
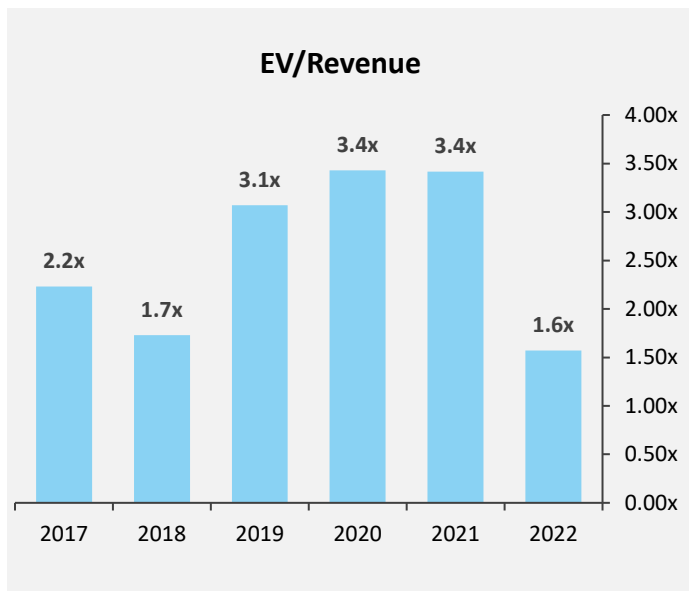


Valuation Multiples

PE Multiples



Strategic Multiples



Largest Deals (Disclosed)

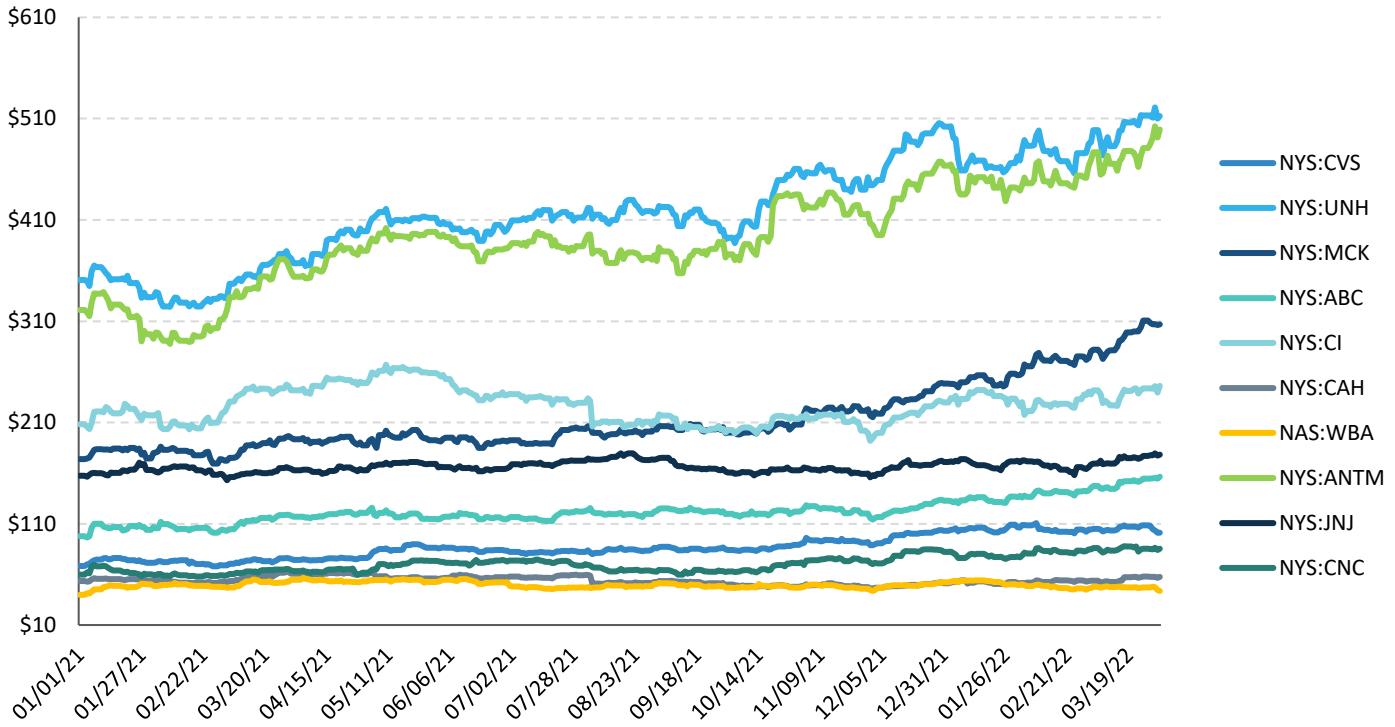
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
15-Feb-2022	Athenahealth	Bain Capital	Buyout/LBO	17,000.00			Developer of medical practice automation and claims management software intended for medical groups and health systems.
11-Feb-2022	Grupo NotreDame Intermédica	Hapvida Participacoes	Merger/Acquisition	8,750.00	3.53	106.01x	Notre Dame Intermédica Participacoes SA operates health plans, dental plans and occupational health.
11-Mar-2022	Arena Pharmaceuticals	Pfizer	Merger/Acquisition	6,700.00	113,880.20x		Arena Pharmaceuticals is a biotechnology company targeting G-protein-coupled receptors.
28-Feb-2022	DigitalBridge	Aurora Health Network	Merger/Acquisition	3,200.00			Operator of a wellness infrastructure business based in Boca Raton, Florida.
06-Jan-2022	Smiths Group	ICU Medical	Merger/Acquisition	2,500.00			Manufacturer of medical devices based in London, United Kingdom.
04-Jan-2022	Magellan Health	Centene	Merger/Acquisition	2,200.00	0.25x	10.15x	Magellan Health provides healthcare management services to health plans and other managed care organizations. Zogenix Inc is engaged in developing and commercializing therapeutic solutions for people living with serious and life-threatening rare CNS disorders.
07-Mar-2022	Zogenix	UCB	Merger/Acquisition	1,900.00	19.57x		Manufacturer of medical devices based in Minneapolis, Minnesota.
06-Jan-2022	Smiths Medical	ICU Medical	Merger/Acquisition	1,900.00			Provider of cancer care services based intended to deliver the best care possible to as many people as possible, as close to home as possible.
31-Mar-2022	Icon Group	EQT	Buyout/LBO	1,769.68			Developer of medical devices delivering to the fields of cardiology and spine.
15-Feb-2022	Baylis Medical Company	Boston Scientific	Merger/Acquisition	1,750.00			New Frontier Health Corp is a comprehensive private medical service platform.
26-Jan-2022	New Frontier Health	Aspex Management, Fosun International	Buyout/LBO	1,672.00			Apria Inc is a provider of integrated home healthcare equipment and related services in the United States.
29-Mar-2022	Apria	Owens & Minor	Merger/Acquisition	1,600.00	1.34x	7.07x	Operator of a biopharmaceutical company intended to discover, design and develop novel biologics, protein and peptide therapeutics.
08-Feb-2022	Amunix Pharmaceuticals	Sanofi	Merger/Acquisition	1,225.00			Developer of drug molecules designed to treat cognitive impairment.
25-Feb-2022	Syndesi Therapeutics	AbbVie	Merger/Acquisition	1,000.00			Developer and manufacturer of reproductive health devices intended to supply medical emergency products.
07-Feb-2022	Cook Medical	The Cooper Companies	Merger/Acquisition	875.00			Operator of a specialty pharmaceutical company specialized in oncology and other critical diseases.
16-Mar-2022	EUSA Pharma	Recordati	Merger/Acquisition	834.67			Developer of genetically-defined therapies intended to fight the devastating impact of blindness.
22-Feb-2022	Gyroscope	Novartis	Merger/Acquisition	800.00			Developer of liquid injectables for rare diseases or small populations.
23-Feb-2022	Exelead	Merck	Merger/Acquisition	780.00			Bright Health Group Inc is a healthcare company.
03-Jan-2022	Bright Health Group	Cigna	PIPE	750.00			argenx SE is a clinical stage biotechnology company.
28-Mar-2022	Argenx		PIPE	700.00			Developer of treatment units and instruments intended to cater to dentists, dental technicians and dental hygienists.
03-Jan-2022	KaVo Dental	Planmeca	Merger/Acquisition	700.00			Provider of home assistance services based in Nichelino, Italy.
09-Feb-2022	Badacare	Jointly IL Welfare Condiviso	Corporate	623.54			BioDelivery Sciences International Inc is a rapidly growing commercial-stage specialty pharmaceutical company dedicated to patients living with chronic pain.
22-Mar-2022	BioDelivery Sciences International	Collegium Pharmaceutical	Merger/Acquisition	604.00	2.94x	10.99x	Developer of cancer genome testing products designed to empower the fight against cancer by unlocking actionable information from the genome.
21-Feb-2022	Personal Genome Diagnostics	Laboratory Corporation of America	Merger/Acquisition	575.00			Developer of medical aesthetics technologies based in Seoul, South Korea.
26-Jan-2022	Classys	Bain Capital	Buyout/LBO	560.00			

Leading M&A Deals

Deal	Deal Synopsis	Driver
 	<p>Athenahealth, a developer of medical practice automation and claims management software, was acquired by an investment group led by Bain Capital through a \$17 billion LBO on February 15, 2022. Athenahealth software is used primarily by physician practice groups and healthcare systems to automate revenue cycle workflows.</p>	<p>Buyout/LBO</p>
 	<p>Arena Pharmaceuticals is a biotechnology company targeting G-protein-coupled receptors. The company was acquired by Pfizer (NYS: PFE) for \$6.7 billion on March 11, 2022. The acquisition complements Pfizer's capabilities and expertise in inflammation and immunology.</p>	<p>Merger/ Acquisition</p>
 	<p>On February 28, 2022, DigitalBridge was acquired by Aurora Health Network for \$3.2 billion. DigitalBridge is a ~\$238 MM wellness infrastructure business based in Boca Raton, Florida. The company operates senior housing centers, skilled nursing facilities, medical office buildings and hospitals.</p>	<p>Merger/ Acquisition</p>
 	<p>Icon Group is a provider of cancer care services. The company was acquired by EQT through an estimated \$1.77 billion LBO on March 31, 2022. EQT will leverage its significant healthcare sector experience and global advisory network to support the company in providing patients with high-quality cancer treatment while supporting its domestic and international growth ambitions.</p>	<p>Buyout/LBO</p>

Public Comps

Stock Price

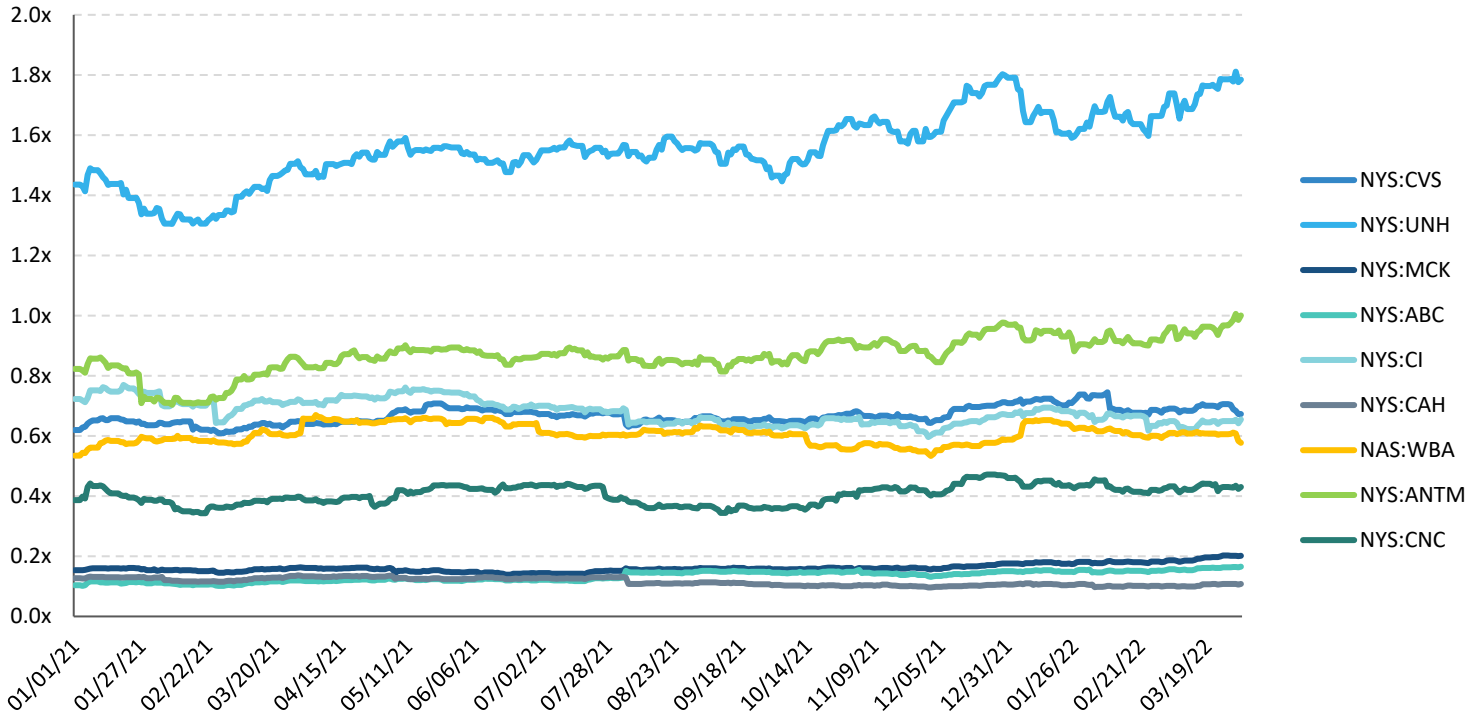


Financial & Valuation

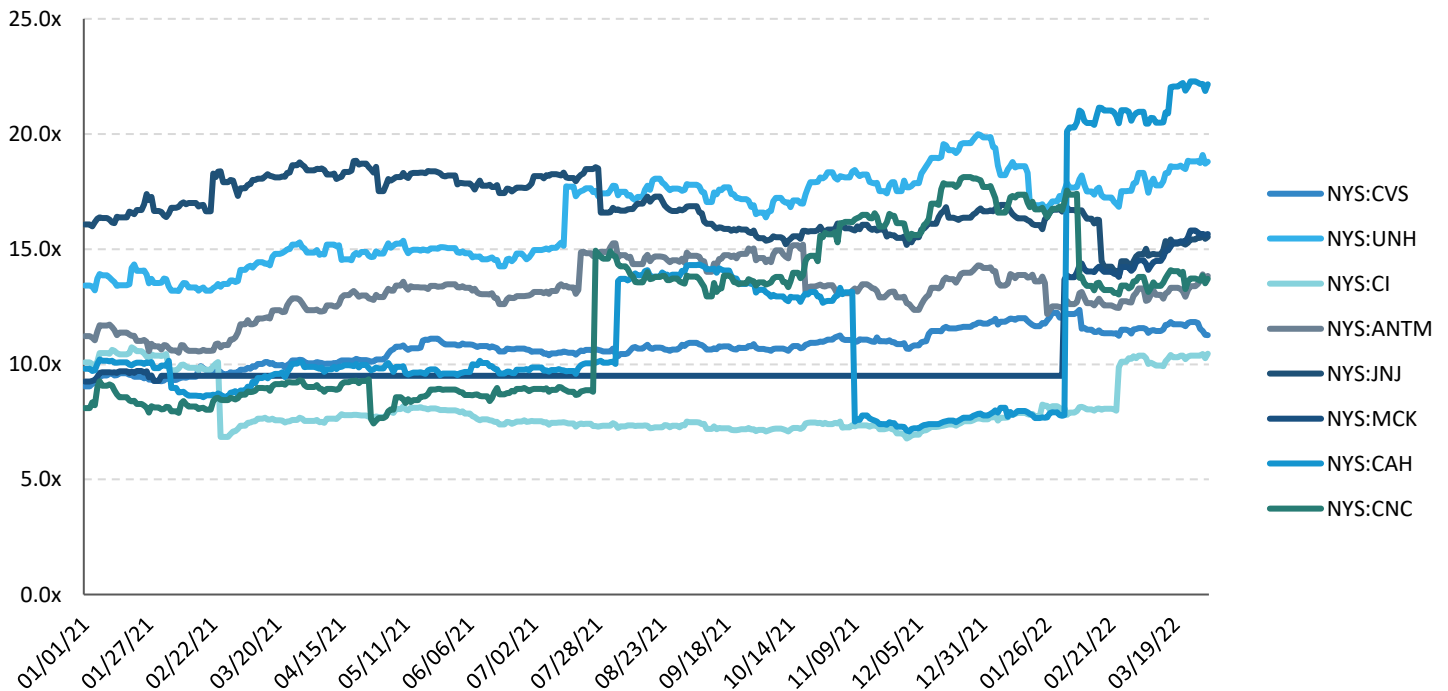
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			Gross Margin			EBITDA Margin		
						20A	21A	22E	20A	21A	22E	20A	21A	22E	20A	21A	22E	20A	21A	22E
	CVS Health	NYS:CVS	101	132,839	75,999	0.6x	0.7x	0.7x	9.0x	11.8x	10.5x	9%	7%	5%	18%	18%	17%	7%	6%	6%
	UnitedHealth Group	NYS:UNH	510	479,830	46,003	1.4x	1.8x	1.6x	13.4x	19.9x	16.4x	6%	10%	12%	26%	24%	25%	11%	9%	10%
	McKesson	NYS:MCK	306	45,858	8,013	0.2x	0.2x	0.2x	9.3x	N/A	9.1x	6%	7%	-1%	5%	5%	5%	2%	-2%	2%
	AmerisourceBergen	NYS:ABC	155	32,356	6,681	0.1x	0.2x	0.1x	N/A	11.1x	9.1x	6%	13%	8%	3%	3%	4%	-3%	1%	2%
	Cigna	NYS:CI	240	76,286	40,724	0.7x	0.7x	0.6x	10.1x	7.6x	10.6x	21%	9%	3%	N/A	N/A	13%	7%	9%	6%
	Cardinal Health	NYS:CAH	57	15,709	5,643	0.1x	0.1x	0.1x	9.8x	7.8x	6.7x	5%	8%	8%	4%	4%	4%	1%	1%	1%
	Walgreens Boots Alliance	NAS:WBA	45	38,671	37,537	0.5x	0.6x	0.6x	22.6x	16.0x	11.9x	2%	9%	-4%	21%	21%	21%	2%	4%	4%
	Anthem (Life and Health Insurance)	NYS:ANTM	491	118,534	23,031	0.8x	1.0x	0.9x	11.2x	14.2x	12.4x	17%	14%	10%	N/A	N/A	21%	7%	7%	7%
	Johnson & Johnson	NYS:JNJ	177	466,047	33,751	5.2x	5.0x	4.6x	16.1x	16.6x	12.2x	-1%	13%	6%	66%	68%	70%	32%	30%	33%
	Centene	NYS:CNC	84	49,072	18,838	0.4x	0.5x	0.4x	8.1x	17.7x	9.3x	41%	20%	9%	14%	11%	18%	5%	3%	4%
	Mean					1.0x	1.1x	1.0x	12.2x	13.6x	10.8x	11.0%	11.0%	5.6%	19.7%	19.2%	25.3%	7.2%	6.8%	7.6%
	Median					0.6x	0.6x	0.6x	10.1x	14.2x	10.5x	5.6%	9.5%	6.9%	16.0%	14.5%	17.6%	5.8%	4.9%	5.3%

Public Comps

EV/Revenue



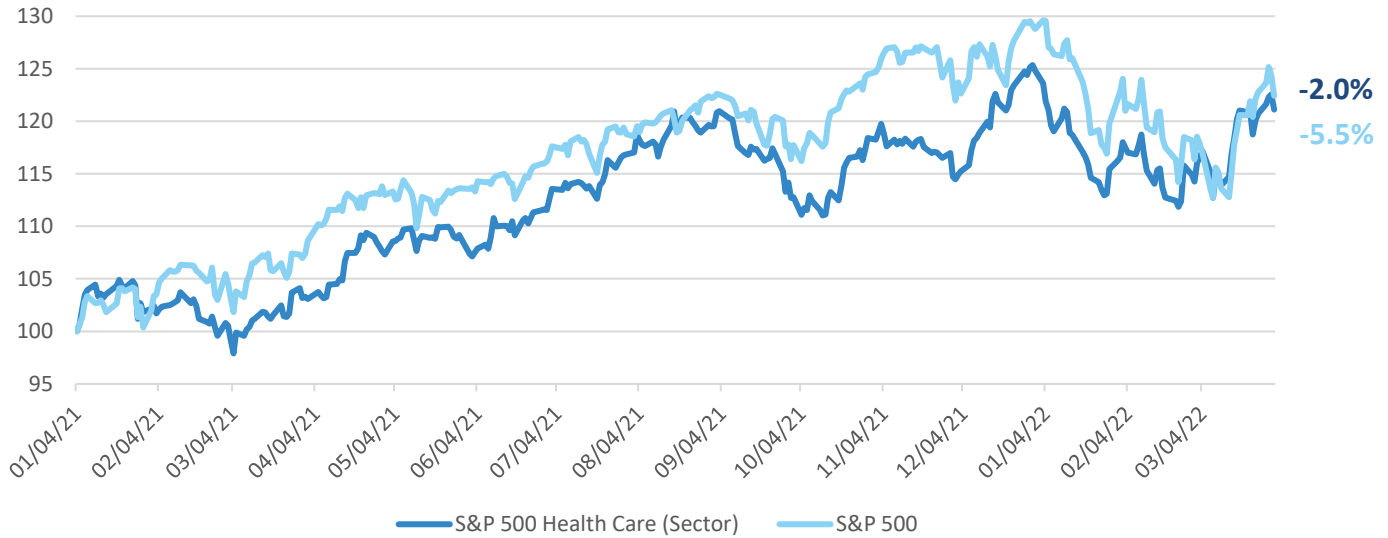
EV/EBITDA



Public Markets

Index Performance

Since January 2022, the S&P 500 Health Care Index declined 2% compared to a 5.5% loss for the S&P 500 Index.

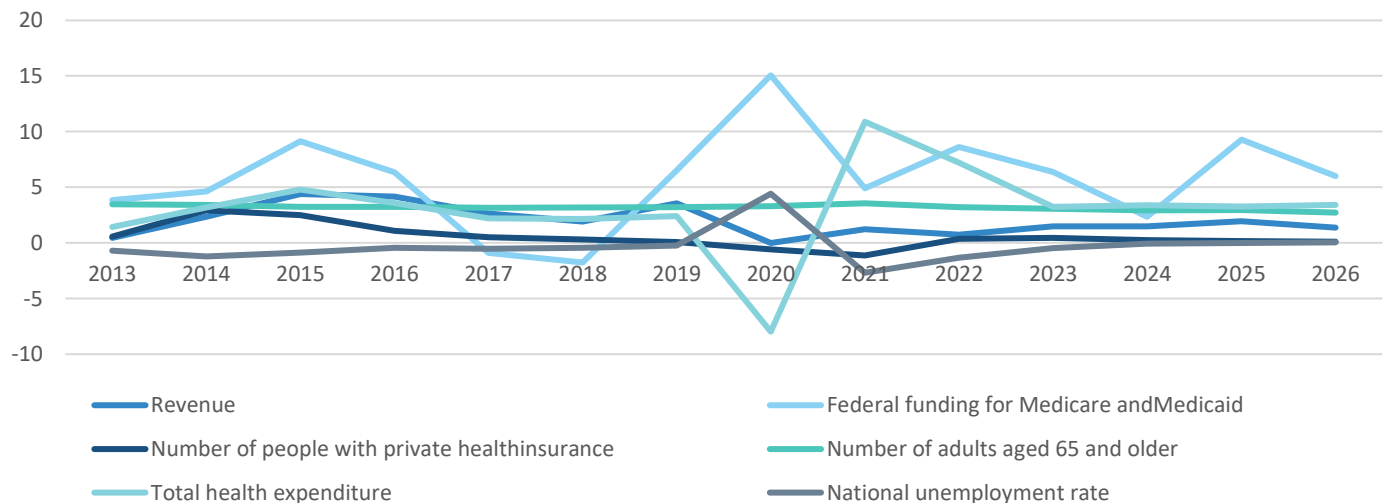


Key External Drivers

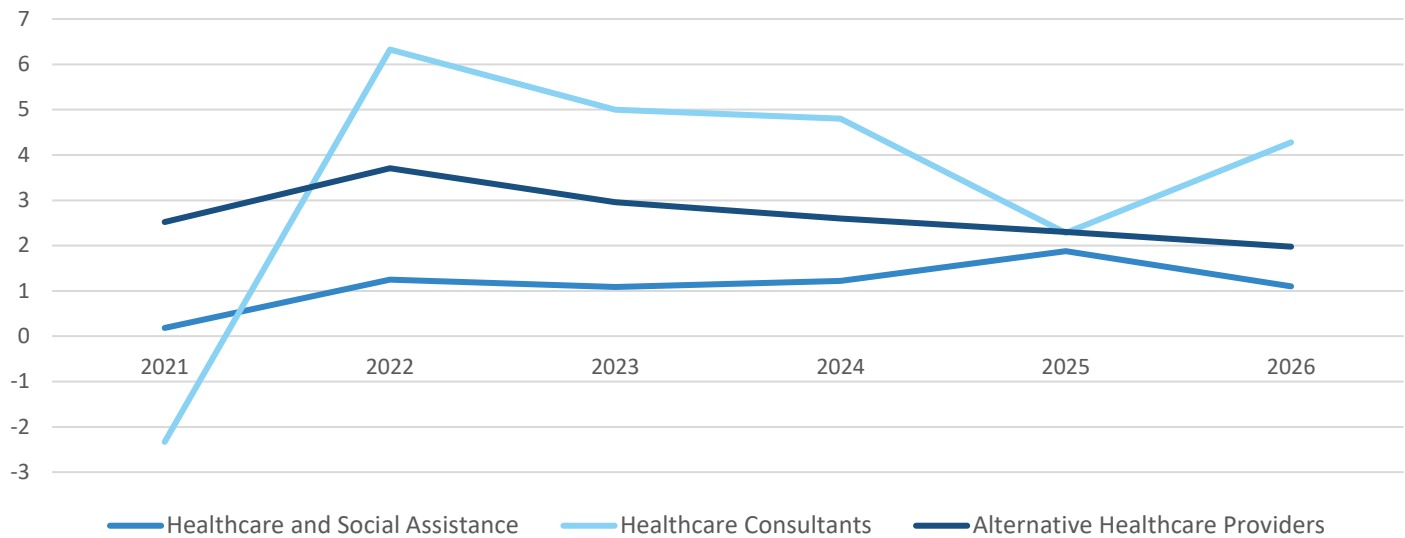
Operators in this sector are influenced by the level of funding provided by the federal government. Rebates and funding arising from Medicare and Medicaid enable services to be charged at lower costs to patients. In addition, as the baby boomer generation ages and average life expectancy rises, more people will need assistance for medical coverage, expanding Medicare expenditure.

People covered by private health insurance typically use healthcare services more frequently, and their insurers often pay more for healthcare services than public insurers. As more of the US population is covered by private health insurance, demand and spending on health services will rise.

Total health expenditure measures public and private spending on activities that, through the application of medical, paramedical and nursing knowledge and technology, promote health and prevent disease.



Industry Outlook



Favorable valuations in the behavioral health space

The combination of unmet, growing demand and increasingly favorable economic models makes behavioral health unique among the specialty groups in the healthcare industry. No other major healthcare provider space has seen such explosive growth in the past five or so years. Whereas the healthcare services space typically sees multiples of 6x to 8x for a business between \$1 million and \$10 million in EBITDA and of 10x and 14x (depending on the specialty) for \$10 million to \$50 million, data suggests that even very small behavioral health providers are trading at no less than 10x EBITDA, with multiples for larger platforms reaching well into the twenties.

Digitization and telehealth reshape healthcare delivery models

The rising prominence of telehealth services in ambulatory care settings is expected to bridge the gap between urban and rural communities that have limited access to healthcare, as well as present significant cost savings to healthcare providers. Growth in telehealth has been augmented by numerous clinical research studies, validating the efficacy of telehealth treatment. Furthermore, there has been prolific growth in telehealth as a mode of healthcare delivery due to the rise of smartphones and tablets, which can store and send information easily to healthcare professionals without a trip to a doctor's office. Already, many healthcare professionals now provide digital doctors' visits, with some clinics offering live online visits. These services are expected to offer simple, convenient solutions to mild and less serious health concerns while also saving time and money for both the provider and the patient. These trends are expected to redefine healthcare delivery models over the next five years.

Consolidation and private equity investment to drive efficiency

Overall, fundamental forces driving capital investment during the outlook period include an aging population, longer life expectancy due to advancing technologies and drugs and the rising prevalence of chronic disease. However, as demand for sector services grows over the next five years, operators will have to contain rising compliance and labor costs. Many operators within the ambulatory healthcare services subsector, such as Primary Care and Specialist Doctors, are expected to join group practice models to spread operating expenses and buoy profitability amid rising labor expenses. As a result, we expect this trend to continue during the outlook period alongside increasing consolidation through M&A activity. The average profit margin for an operator in the sector is expected to reach 10.2% in 2026.

Our Service Offerings



Sell-Side Advisory: Sell your business

Sell your business for the highest price and for the best terms. At R.L. Hulett, communicating the value of your business to targeted buyers and finding the best fit for your team is our forte. We strive to maintain your company's culture and heritage even as you transition out of your business.



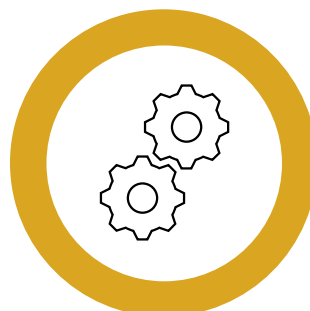
Buy-Side Advisory: Buy a business

Searching for acquisition targets can be a challenging and time-consuming task when trying to run your own business at the same time. Navigating the risks and pitfalls in negotiating valuation and deal structure can also be a daunting task for many business owners. Let our team help you minimize your risk and reduce time wasting efforts with our decades of experience in advising in both buy and sell-side M&A transactions. We utilize industry-leading M&A databases to scout for opportunities and pre-screen for "real" actionable targets so you can stay focused on what matters.



Capital Raise: Gain financial support

With nearly 40 years of experience in middle-market M&A advisory, we know how to package up your deal and put you in front of the right kind of investors who have the capital and the industry expertise you need to grow your business. Our team will develop a go-to-market strategy and advise on deal structure, valuation, due diligence and transition issues. Whether you are seeking capital for growth or trying to buy out other shareholders, we have the tools, expertise, and experience to execute a strategic process and find the optimal outcome to meet your objectives.



Restructuring: reorganization of your business


In today's uncertain economic times, more and more companies are finding themselves in unfamiliar, and unwanted, positions. Many business owners are hoping recovery is just around the corner; however, proactive measures are often required to maximize the remaining value of the business. Our team can aid banking institutions with workout situations by implementing internal controls over cash management and performing on-going cash flow modeling for their clients. We can also help business owners avoid having trouble making payments on their debts and avoid the cumbersome and low-value asset liquidation process.

Selected Transactions





Has been acquired by






Has been acquired by








Has been acquired by






Has sold substantially all of its assets to

Has acquired


Has been acquired by





Has sold substantially all of its assets to





Has sold substantially all of its assets to





Has been acquired by




Our M&A Deal Leaders



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Mr. Hulett has led M&A transactions in a variety of industries including manufacturing/industrial, software development/IT, business services and value-added distribution for over 15 years. Prior to joining the firm, he held senior level accounting and financial management positions in both public accounting and large corporations. Mr. Hulett began his career as a Certified Public Accountant with MPP&W, a St. Louis-based public accounting firm specializing in middle market companies. He then held various management positions in internal audit and corporate accounting with a Fortune 1000 industrial manufacturing company and also spent nine years with Enterprise Rent-A-Car Company as a department manager in the Corporate Accounting group. Mr. Hulett holds his Series 62, 63 and 79 securities registration. Mr. Hulett earned a Bachelor's Degree in Accounting from the University of Missouri, Columbia.



Robert L. Hulett
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Mr. Hulett founded the firm in 1981 and has negotiated and completed more than 200 transactions throughout his career. He began his career as a Certified Public Accountant and practiced with Peat, Marwick, Mitchell & Co. in St. Louis as an Audit Manager and in New York as the Director of Training for Private Business. Mr. Hulett has also served as Chief Executive & Board Member for various middle market companies. As an educator, he was an adjunct professor at New York University and a tenured faculty member at Lindenwood University in St. Louis. He conducted training sessions for middle market CPA firms throughout the country for more than ten years. Mr. Hulett earned his BS/BA Cum Laude in Accounting from the University of Missouri-Columbia, and an MBA from Lindenwood University.



David T. Vass
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Mr. Vass has over 30 years of business management experience including more than 10 years as President of a highly successful consumer products manufacturing company with revenues exceeding \$25 million. During this time, he not only reversed a declining sales and earnings trend, but increased both sales and operating income over 100%. In addition, he has spent over 20 years at the executive level of Vice President of Sales and Business Development. Mr. Vass also has experience in a number of other industry niches including consumer products, commercial furniture and fixtures and metal recycling. He holds a Bachelor's Degree in Economics from DePauw University and an MBA from the University of Michigan.

Our M&A Deal Leaders



Ron Litton

Director

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Mr. Litton has been advising business owners in mergers and acquisitions since 2013. His primary industry focus areas have included industrials, paper and packaging, distribution, energy, promotional products and direct to consumer e-commerce. Prior to 2013, Mr. Litton held a variety of C-level roles with several companies in the paper and packaging industry including Unisource, Maverick Paper, Universal Graphics and Sabin Robbins. He has bought and sold a number of businesses, advised in the sale of family/founder owned businesses, and advised in start-ups and turnaround situations for banks, owners, and private equity firms. He enjoys working with owners that want to sell or transition out of their businesses. Ron covers the Kansas City and surrounding markets for the firm. He graduated from Central Missouri State University with a BS in Graphic Arts Technology and Management.



Max Leible

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Mr. Leible is an experienced M&A advisor having spent years in both investment banking and due diligence transaction advisory services. Prior to joining the firm, Mr. Leible served as a Management Consultant at Aon, plc (NYSE: AON) within the M&A and Transaction Solutions practice providing due diligence services for private equity and corporate clients. Before that, Max worked at Douglas Group, as an Investment Banking Associate. Mr. Leible received a Bachelor of Science in Accounting and Bachelor of Science in Business Administration with an Emphasis in Finance from the University of Missouri-St. Louis and graduated magna cum laude for each major. During his time at the University of Missouri-St. Louis, Max co-founded the Finance Club, an organization at the university, and represented the university as a participant in the Chartered Financial Analyst Research Challenge.



Ryan Hartman

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Ryan joined R.L. Hulett & Company in 2021 and provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. Ryan graduated with a Bachelor of Science in Management Degree with a major in finance from The Freeman School of Business, Tulane University. Prior to joining the firm Ryan worked as an equity analyst for Burkenroad reports, an equity research program that produces widely circulated financial reports on small- to medium-sized companies. During his time at Tulane University, Ryan was elected as Vice President of Administration for Tulane's community government, took extensive courses in Investment Banking M&A transactions, and volunteered as a data analyst for American Red Cross.

About R.L. Hulett & Company

R.L. Hulett & Company is a middle-market investment bank based in St. Louis, Missouri. Since 1981, the firm specializes in providing financial advisory services to middle market companies. Since IB inception, the firm has advised in over 230 transactions in a variety of industries including manufacturing, distribution, business services, transportation/logistics, health care and software/technology. The firm has an experienced team of M&A advisors consisting of former business owners, seasoned corporate executives, professional service firm partners, CPAs and MBAs. Our ability to deliver customized solutions to meet or exceed our clients' expectations is what sets us apart from our competitors.

Industry Sectors Covered:



Industrial



Transportation and Logistics



Food & Beverage



Business Services



Tech-enabled Services



Healthcare

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