



# Healthcare M&A Update

Q2 2022

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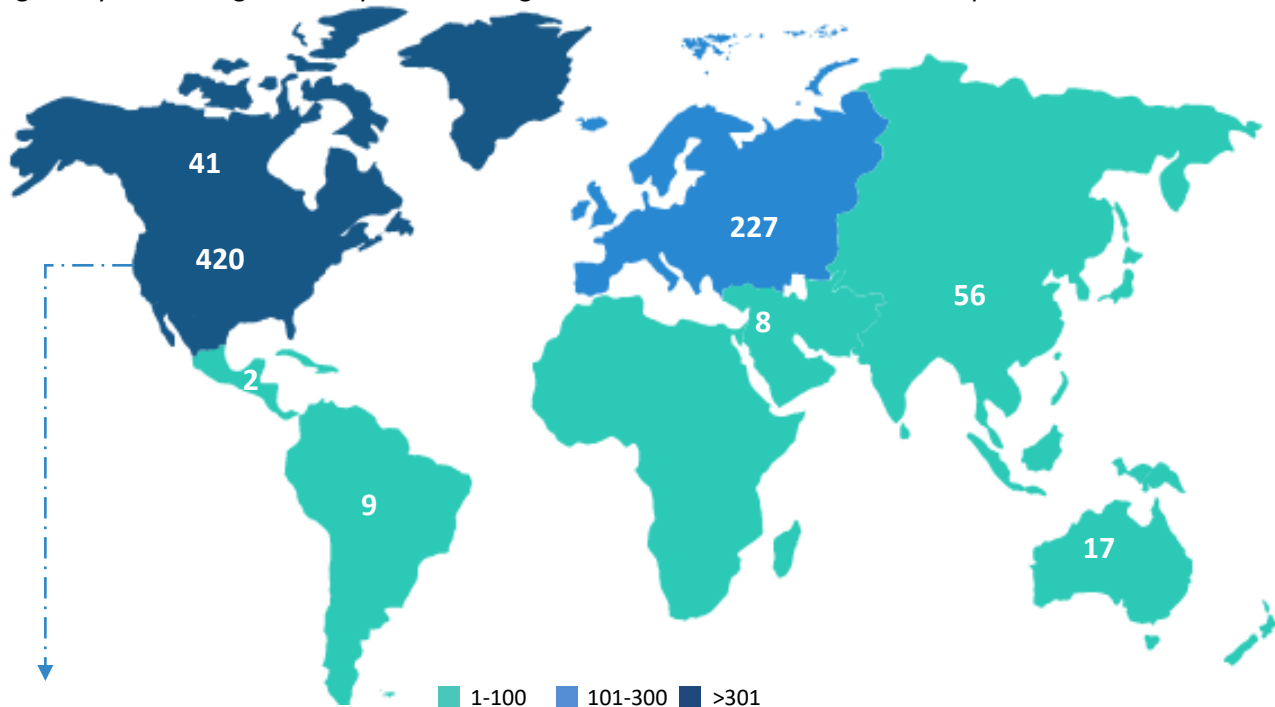
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## REPORT HIGHLIGHTS

- M&A deal volume was down significantly to 780 completed transactions in Q2 2022 compared to 933 deals in Q1 and 1,199 deals in Q2 of the prior year.
- Total capital invested decreased to \$72 billion in Q2 2022 from \$76 billion in Q1 and \$113 billion in Q2 of the prior year.
- PE investors accounted for 52.9% of deal volume in Q2 2022 vs. Strategic Buyers with 47.1%. PE's share of total volume is down slightly from 2021 at 54.7%.
- Oracle's acquisition of healthcare IT provider Cerner for \$28.3 billion represented the largest healthcare transaction during the quarter.
- From Q1 2022 to Q2 2022, public equities in the healthcare sector (S&P 500 Healthcare Index) declined 7.1% compared to a 16.7% decline in the overall S&P 500 index.

# Global Deal Analytics

Of the 780 deals in Q2 2022, North America was the most active market with 420. R1 RCM's (NAS: RCM) \$4.1 billion acquisition of Cloudmed in June represented another significant transaction in the U.S. this quarter. Europe was the second most active region with 227. Most notably in Europe was Goldman Sachs Asset Management's \$2.1 billion leveraged buyout of Norgine in May. All other regions combined for a total of 133 completed transactions.



**Canada: 41**

**United States Regions: 420**

Southeast:	81
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West Coast:	89
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Mid Atlantic:	89
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Great Lakes:	48
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New England:	32
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Other:	2
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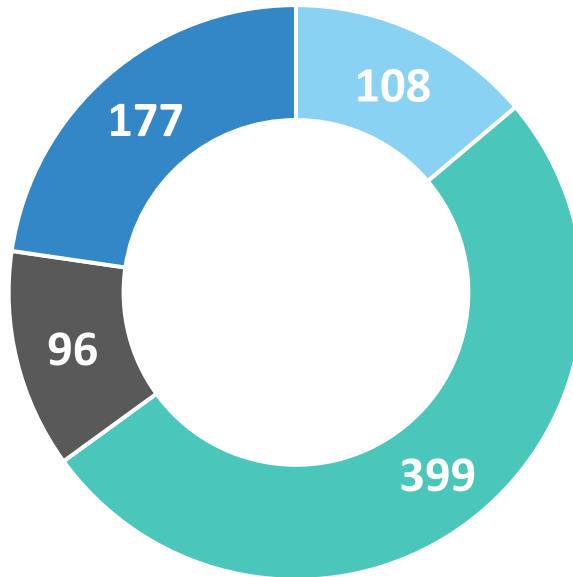
In the North American market, the West Coast and Mid Atlantic regions were the most active in Q2 2022 with 89 deals each, followed by the Southeast with 81. The Great Lakes and New England regions reported 48 and 32 transactions, respectively. All other regions totaled 2 closed transactions.

Outside of the U.S. in the North America market, 41 transactions closed in the Canadian market and 2 transactions closed in the Mexican market in Q2 2022.

# Global Deal Analytics

Of the 780 Healthcare deals in Q2, 399 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 177 deals followed by Healthcare Devices and Supplies and Healthcare Technology Systems with 108 and 96 closed transactions, respectively.

**Deal by Subsector**



Healthcare Devices and Supplies

Healthcare Services

Healthcare Technology Systems

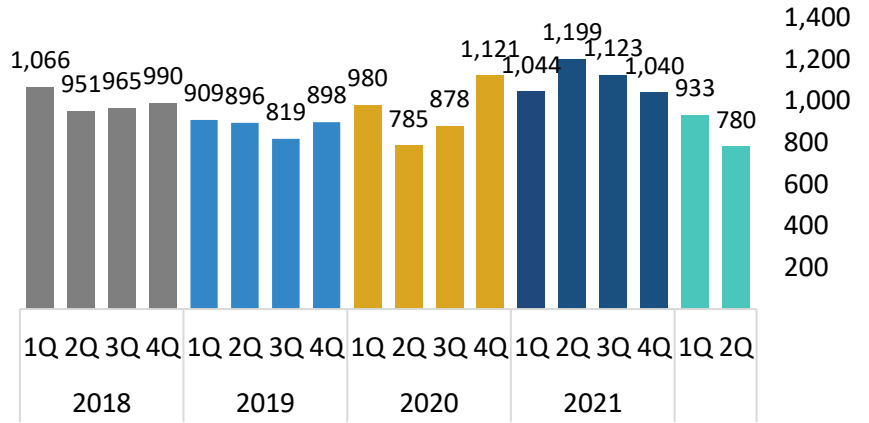
Pharmaceuticals and Biotechnology



# Global Deal Analytics

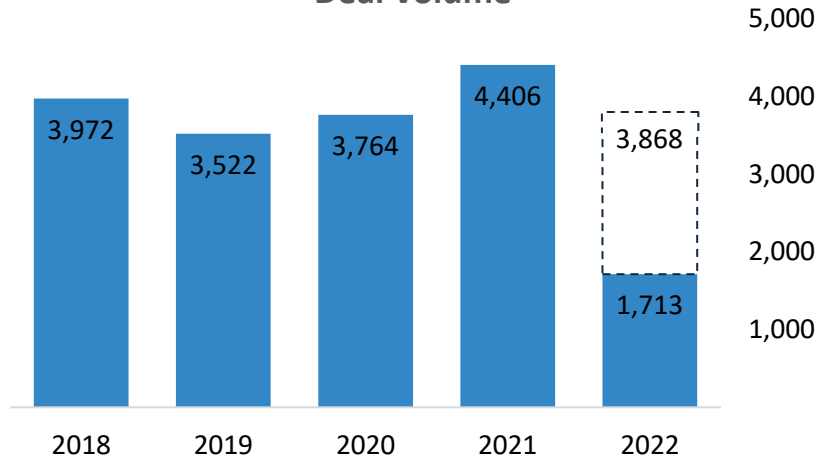
Over the last four quarters, deal volume in the Healthcare sector has been trending downward by an average of 8.7% per quarter after reaching an all time high of 1,199 in Q2 2021. In Q2 2022, deal volume dropped to its lowest level since before 2018 and declined 34.9% from Q2 of the prior year.

Deal Volume



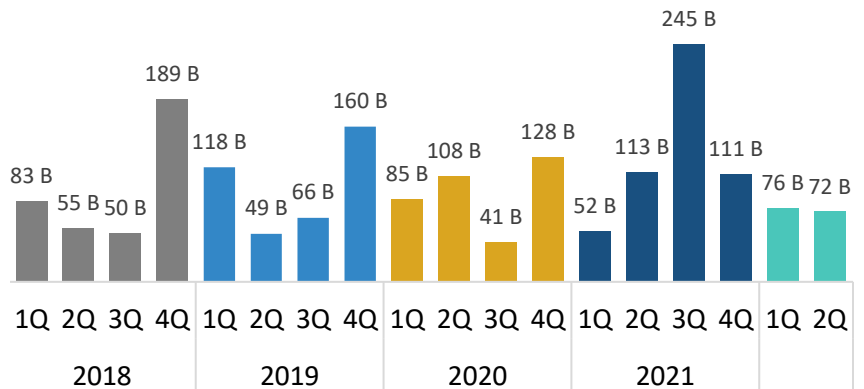
M&A deal volume is tracking towards 3,868 total transactions for 2022. This represents a 12.2% decline in forecasted deal volume from the prior year. Despite an increasing demand for healthcare services, we are seeing a drop in M&A volume in the healthcare sector, similar to other sectors, due to a variety of factors including rising interest rates/cost of capital, liquidity challenges and a reversion to more normalized deal volumes from the peaks in Q2 and Q3 of last year.

Deal Volume



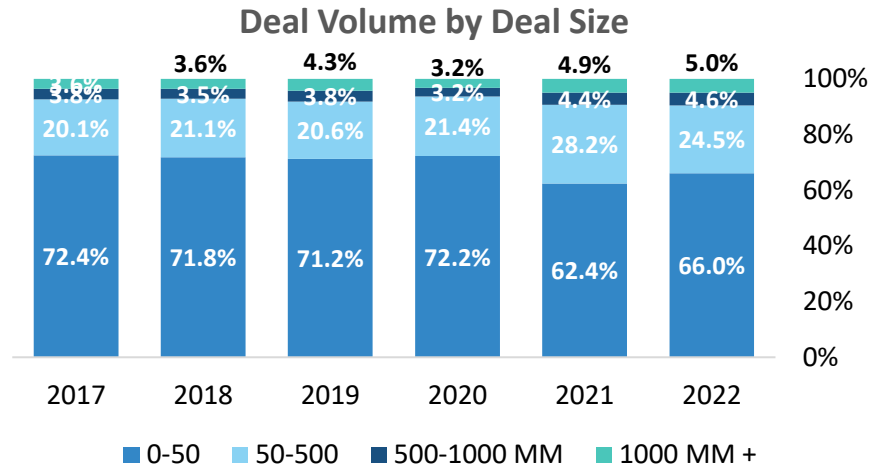
In Q2 2022, total capital invested in M&A transactions in the Healthcare sector decreased 5.3% to \$72B from \$76B in Q1 2022 and 36.3% from \$113B in Q2 2021. The decrease in total capital invested from Q1 2022 is primarily due to a 16.4% decline in deal volume, partially offset by an 11.1% increase in average deal size.

Total Capital Invested

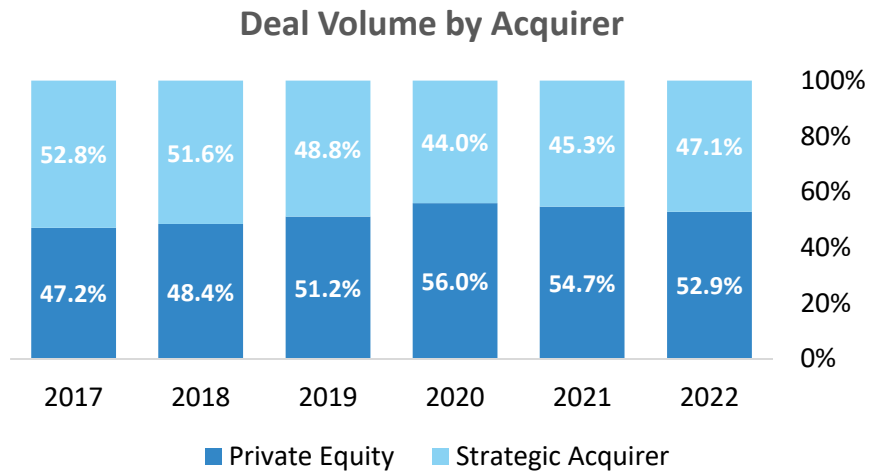


# Global Deal Analytics

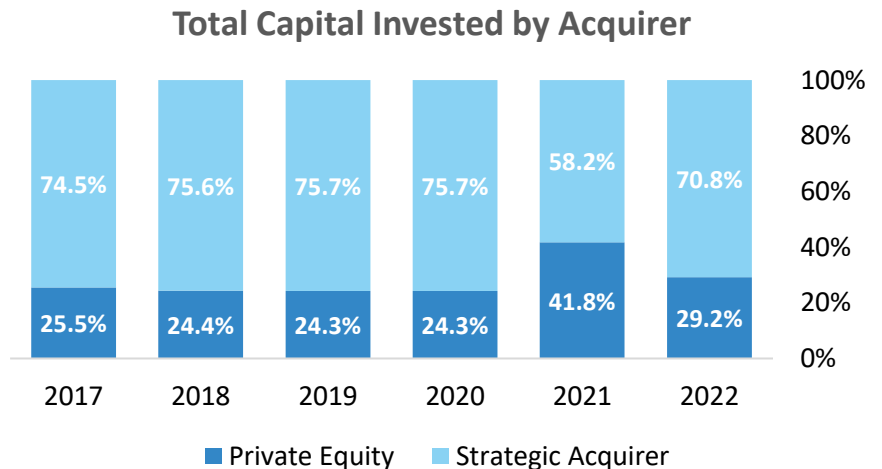
Deal volume in the lower middle market (\$0-\$50MM) increased from 62.4% in FY 2021 to 66.0% in 1H 2022 while deal volume in the middle market (\$50-\$500MM) declined 3.7%. The larger market (\$1000MM+) and upper middle market (\$500-\$1000MM) remained relatively steady with slight increases of 0.1% and 0.2%, respectively.



Over the last 3 years, Private Equity buyers have accounted for a slight majority of M&A volume in the Healthcare sector, although this has begun to shift in favor of Strategic Acquirers in 2022.

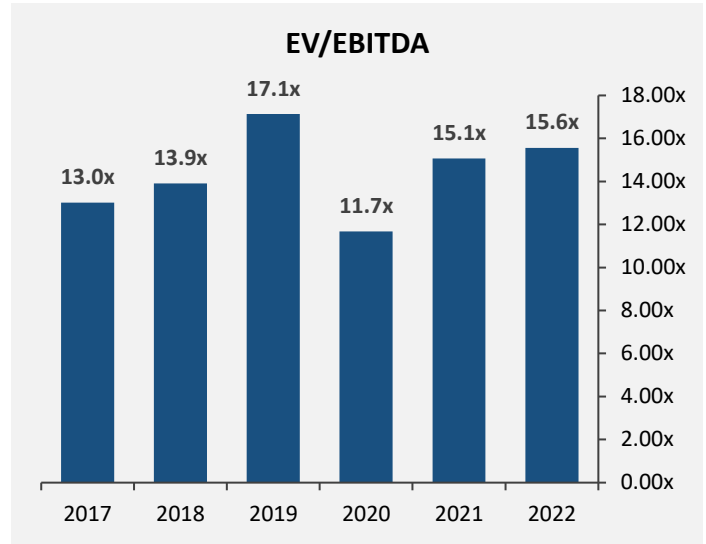
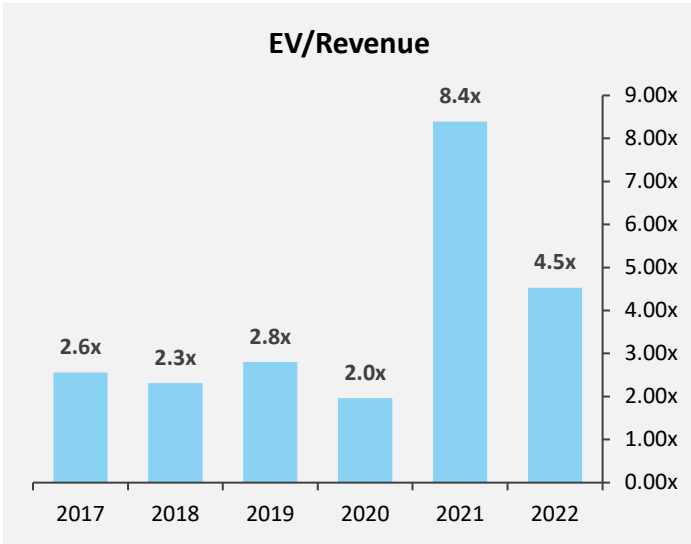


In terms of Total Capital Invested, Private Equity participation decreased significantly in 1H 2022 to 29.2% from 41.8% in the prior year. 2022 appears to have reverted more in line with historical levels irrespective of the anomaly we saw in 2021.

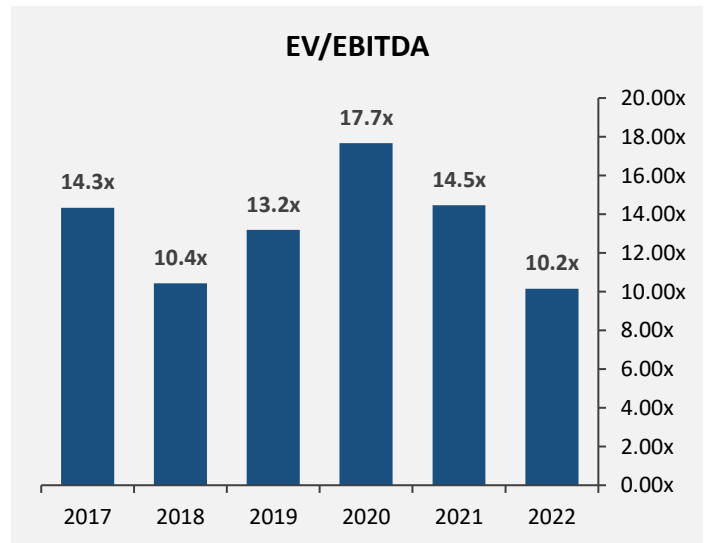
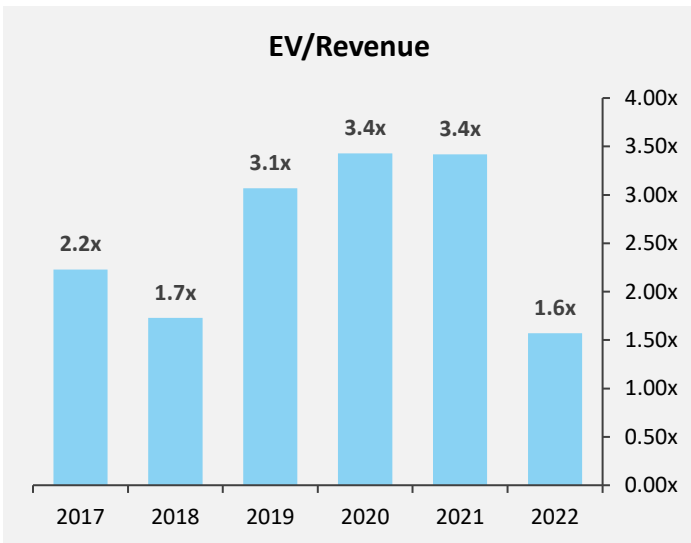


# Valuation Multiples

## PE Multiples




## Strategic Multiples



# Largest Deals (Disclosed)

Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
08-Jun-2022	Cerner	Oracle (NYS: ORCL)	M&A	28,200.00	4.7x	18.83x	Leading supplier of healthcare information technology solutions and tech-enabled services for the electronic health record industry.
27-May-2022	Ortho-Clinical Diagnostics	QuidelOrtho (NAS: QDEL)	M&A	6,000.00	2.81x	12.57x	Provider of diagnostic testing solutions to the clinical laboratory and transfusion medicine communities within the Americas, EMEA, Greater China, and other geographies.
21-Jun-2022	Cloudmed	R1 RCM (NAS: RCM)	M&A	4,100.00			Provider of revenue recovery, consulting services, outsourced expense, and interim management catering to hospitals and health care systems nationwide.
01-Jun-2022	DentaQuest Ventures	Sun Life Financial	M&A	2,475.00	0.92x		Provider of dental plans and oral health services. The company offers managed dental and vision benefits to individuals and corporations.
25-May-2022	Norgine	Goldman Sachs Asset Management	Buyout/LBO	2,107.62			Operator of a pharmaceutical company intended to acquire, develop and commercialize innovative products. The company manufactures transformative medicines and operates third-party supply networks.
28-Jun-2022	Tivity Health (NAS: TVTY)	Stone Point Capital	Buyout/LBO	2,000.00	3.76x	11.92x	Tivity Health Inc is a provider of fitness, nutrition, and social connection solutions, including its SilverSneakers senior fitness program, Prime Fitness, and WholeHealth Living.
29-Apr-2022	HRA Pharma	Perrigo Company (NYS: PRGO)	M&A	1,953.12			Developer of pharmaceutical medicines designed for women's health and endocrinology for use in emergency contraception, uterine fibroids and rare endocrine disorders such as Cushing's syndrome.
30-Jun-2022	Sierra Oncology	GlaxoSmithKline	M&A	1,900.00			Clinical-stage drug development company. It focuses on the research, development, and commercialization of DNA Damage Response (DDR) therapeutics for the treatment of patients with cancer.
04-Apr-2022	Clinigen	Triton	Buyout/LBO	1,707.88	2.0x	10.15x	Provider of pharmaceutical services and products intended to offer quicker access to new and critical medicines.
13-May-2022	Intersect ENT	Medtronic (NYS: MDT)	M&A	1,200.00	11.05x		Commercial drug delivery company committed to improving the quality of life for patients with ear, nose and throat conditions.
12-May-2022	PathGroup (Brentwood)	GTCR	Buyout/LBO	1,200.00			Provider of anatomic, clinical and molecular pathology services intended to deliver fast, accurate results using proprietary and industry-standard technology.
25-Apr-2022	Biotest (ETR: BIO)	Grifols	M&A	1,189.86	1.99x		Biotest AG is a supplier of biological medicines. The company produces its products from human blood plasma or manufactured by using biotechnology methods.
24-May-2022	Antares Pharma	Halozyne (NAS: HALO)	M&A	960.00	4.89x	14.6x	Specialty pharmaceutical company focused on the development and commercialization of self-administered parenteral pharmaceutical products and technologies.
10-May-2022	LifeMark Health Group	Shoppers Drug Mart	M&A	845.00			Provider of physiotherapy, rehabilitation, medical assessments and home-care services across Canada. The company offers customized treatment plans based on the patient's treatment goals.
20-Apr-2022	Sanoptis	Groupe Bruxelles Lambert (BRU: GBLB)	Buyout/LBO	820.36			Partner with ophthalmologists to deliver on organic and inorganic growth. The company with its hospitals and outgoing facilities covers a range of diagnostic and surgical treatments.
02-May-2022	Allscripts (Hospitals and Large Physician Practices Portfolio)	Harris Computer (Jeff Bender)	M&A	700.00			A portfolio of hospitals and large physician practice assets based out of Chicago, Illinois.
07-Apr-2022	McKesson UK	Aurelius Group	Buyout/LBO	626.19			Operator of healthcare companies committed to making every link in healthcare work smarter. The company manages retail, digital, homecare and wholesale.
02-May-2022	GeneDx	Sema4 (NAS: SMFR)	M&A	623.00			Provider of gene-based laboratory testing intended to address the needs of people with rare disorders and the clinicians treating these conditions.
20-Apr-2022	Carestream Dental (Intra-Oral Scanner Business)	Envista Holdings	M&A	600.00			Dental care company intended to provide intraoral scanning services. The company's services include providing dental examination and its analysis through a software.
21-Apr-2022	Phenox	Wallaby Medical	M&A	546.63			Provider of medical technology services to design devices for neurovascular diseases. The company's technologies offer a growing portfolio of treatment options.

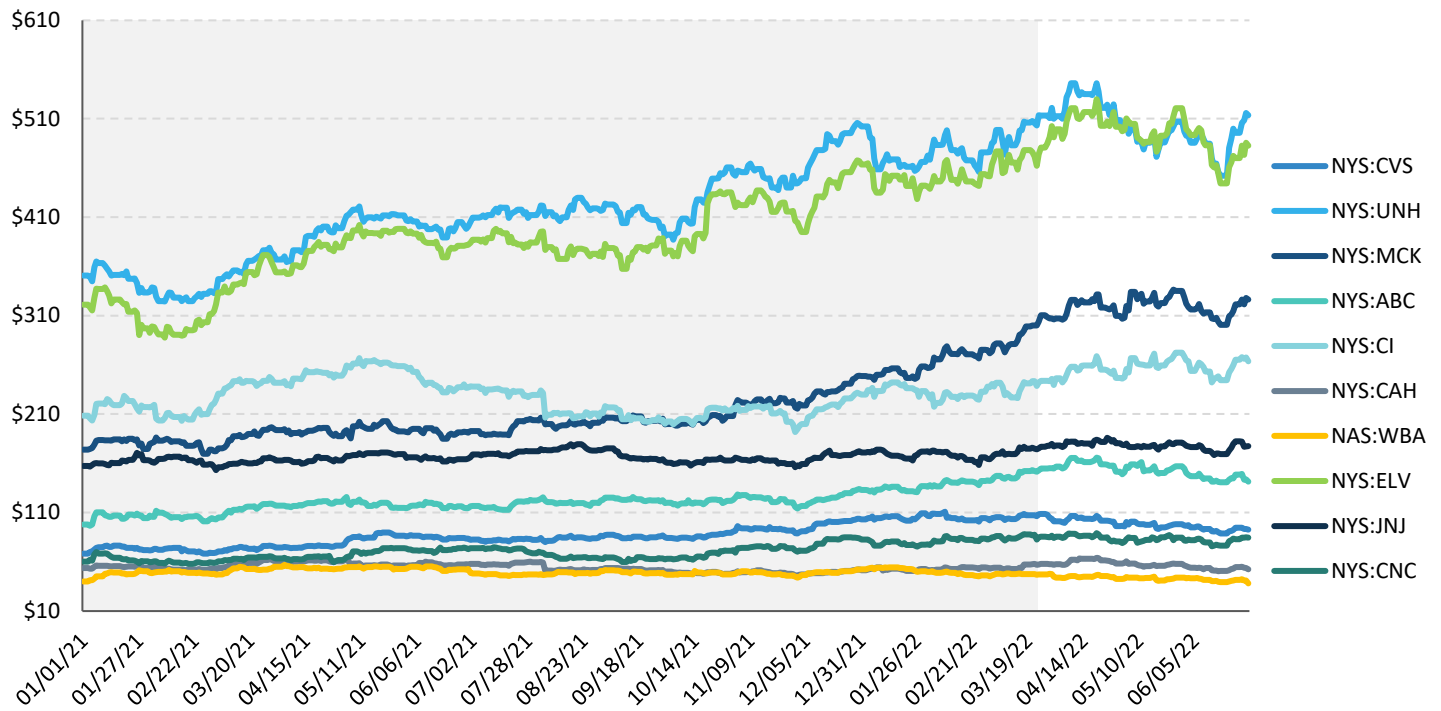
## Leading M&A Deals

Deal	Deal Synopsis	Driver
 	<p>Cerner, a leading provider of healthcare IT and electronic record systems, was acquired by Oracle for an all-cash tender offer \$28.3 billion on June 8, 2022. This acquisition will enable Oracle to help improve patient outcomes by reducing the time physicians need to spend on face-to-face contact with patients.</p>	<p><b>Merger/ Acquisition</b></p>
 	<p>OrthoClinical Diagnostics, a provider of in vitro diagnostics solutions and services, was acquired by QuidelOrtho for \$6.0 billion on May 27, 2022. OrthoClinical Diagnostics provides diagnostic testing solutions to the clinical laboratory and transfusion medicine markets. The combined organizations will help to improve technology and expand access to customers.</p>	<p><b>Merger/ Acquisition</b></p>
 	<p>Cloudmed, a revenue cycle and consulting services platform, was acquired by R1 RCM for \$4.1 billion on June 21, 2022. Cloudmed provides services for revenue recovery and enhancement, underpayments, and outsourced expense for hospitals and health care systems nationwide. This acquisition will accelerate R1 RCM's strategy to build a scalable and integrated platform for the revenue cycle and customer engagement.</p>	<p><b>Merger/ Acquisition</b></p>
 	<p>Norgine, a pharmaceutical company focused on acquiring and commercializing innovative products, was acquired by Goldman Sachs Asset Management through an LBO for \$2.1 billion on May 25, 2022. The company has developed a broad portfolio of pharmaceutical products and operates third-party supply networks and R&amp;D labs for new product development. Goldman Sachs Asset Management intends to support and enhance the Company's mission.</p>	<p><b>Buyout/ LBO</b></p>



# Public Comps

## Stock Price

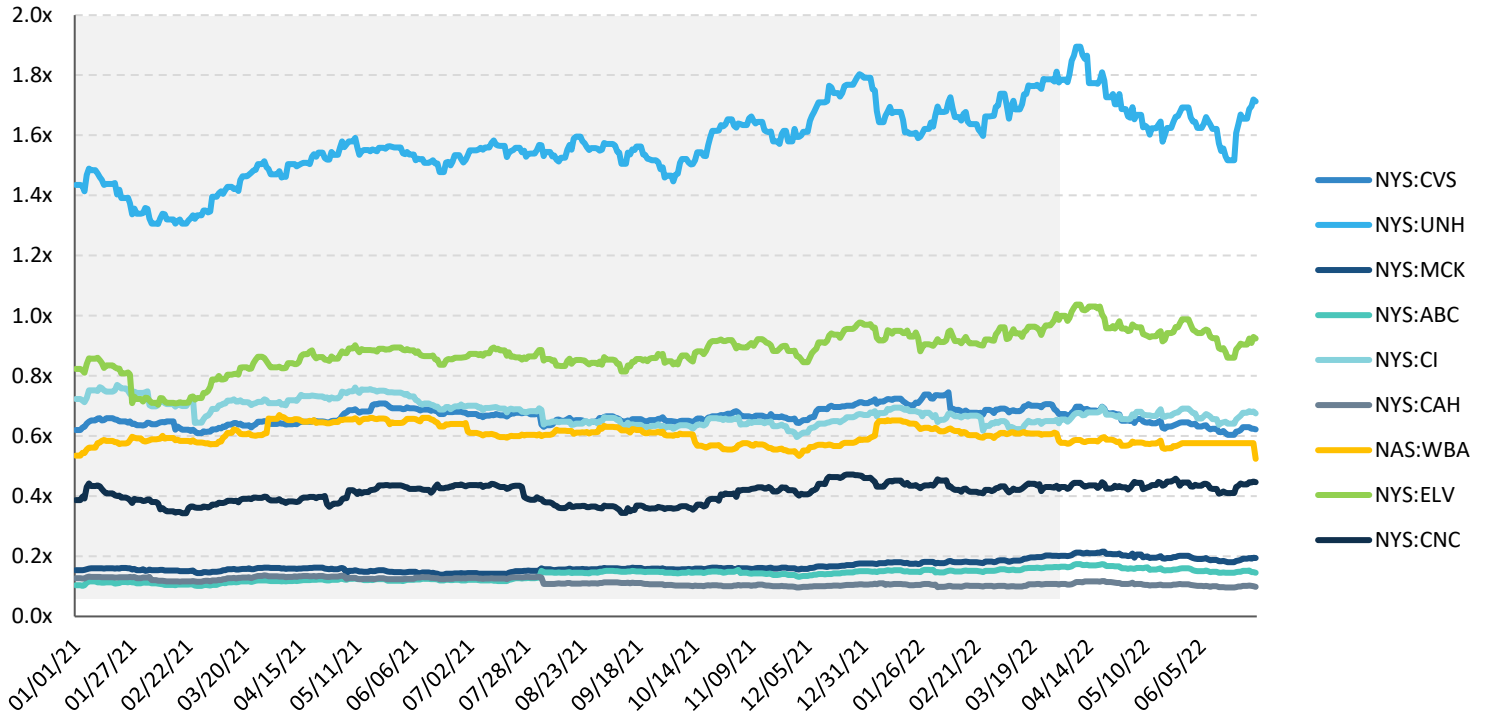


## Financial & Valuation

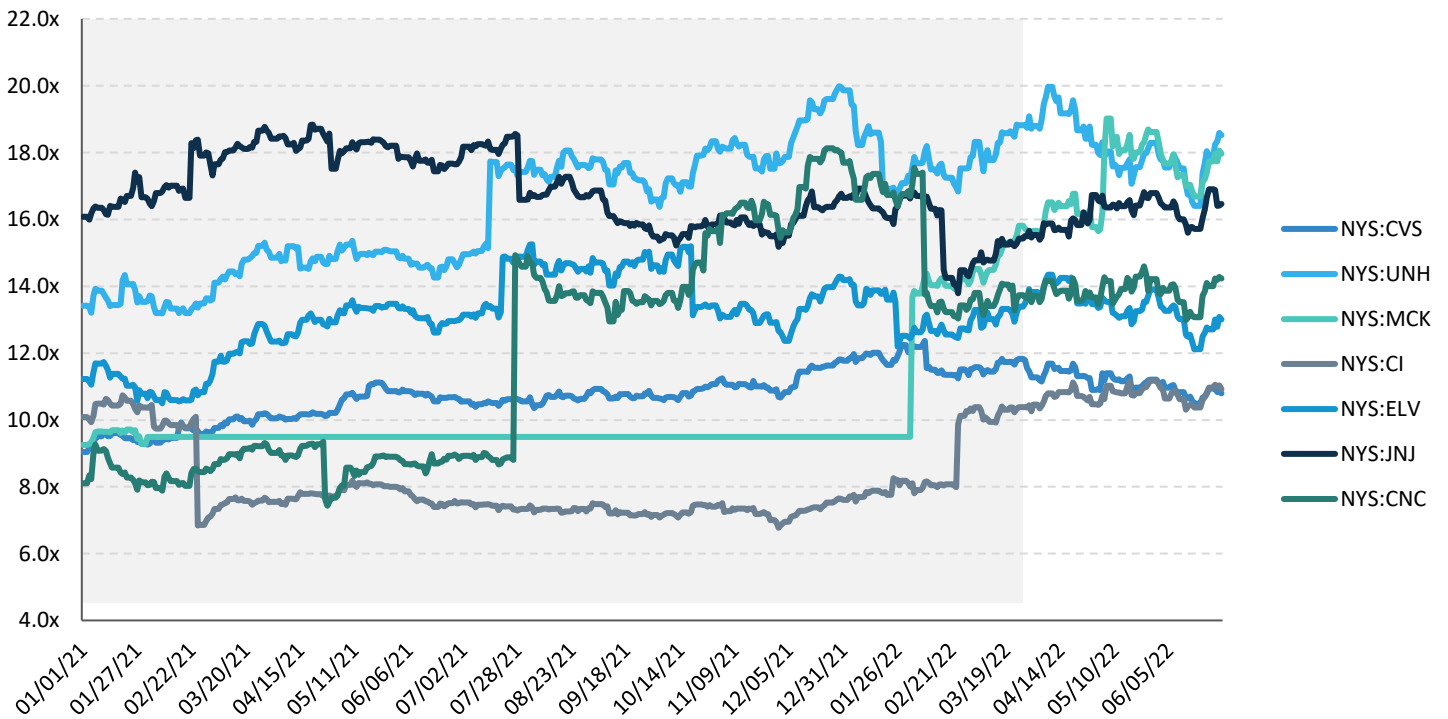
SMM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			Gross Margin			EBITDA Margin		
						20A	21A	22E	20A	21A	22E	20A	21A	22E	20A	21A	22E	20A	21A	22E
	CVS Health	NYS:CVS	93	121,506	75,915	0.6x	0.7x	0.7x	9.0x	11.8x	10.5x	32%	5%	11%	18%	18%	18%	6%	6%	6%
	UnitedHealth Group	NYS:UNH	514	481,873	47,493	1.4x	1.8x	1.6x	13.4x	19.9x	16.4x	7%	6%	13%	23%	26%	23%	9%	10%	9%
	McKesson	NYS:MCK	326	46,838	7,542	0.2x	0.2x	0.2x	9.3x	N/A	9.1x	8%	3%	11%	5%	5%	5%	1%	-2%	1%
	AmerisourceBergen	NYS:ABC	141	29,635	6,456	0.1x	0.2x	0.1x	N/A	11.1x	9.1x	6%	13%	17%	3%	3%	4%	-3%	1%	1%
	Cigna	NYS:CI	264	83,608	40,195	0.7x	0.7x	0.6x	10.1x	7.6x	10.6x	217%	4%	8%	N/A	N/A	N/A	8%	9%	6%
	Cardinal Health	NYS:CAH	52	14,240	5,612	0.1x	0.1x	0.1x	9.8x	7.8x	6.7x	5%	6%	13%	4%	4%	4%	-2%	1%	0%
	Walgreens Boots Alliance	NAS:WBA	38	32,755	37,276	0.5x	0.6x	0.6x	22.6x	16.0x	11.9x	2%	9%	5%	21%	21%	22%	2%	4%	6%
	Elevance Health	NYS:ELV	483	116,343	23,255	0.8x	1.0x	0.9x	11.2x	14.2x	12.4x	13%	17%	16%	N/A	N/A	N/A	8%	7%	7%
	Johnson & Johnson	NYS:JNJ	178	467,100	33,148	5.2x	5.0x	4.6x	16.1x	16.6x	12.2x	1%	1%	13%	66%	66%	68%	30%	29%	30%
	Centene	NYS:CNC	85	49,487	22,669	0.4x	0.5x	0.4x	8.1x	17.7x	9.3x	24%	49%	16%	12%	14%	11%	4%	4%	3%
	<b>Mean</b>					<b>1.0x</b>	<b>1.1x</b>	<b>1.0x</b>	<b>12.2x</b>	<b>13.6x</b>	<b>10.8x</b>	<b>31.3%</b>	<b>11.3%</b>	<b>12.2%</b>	<b>19.1%</b>	<b>19.6%</b>	<b>26.5%</b>	<b>6.4%</b>	<b>7.0%</b>	<b>7.0%</b>
	<b>Median</b>					<b>0.6x</b>	<b>0.6x</b>	<b>0.6x</b>	<b>10.1x</b>	<b>14.2x</b>	<b>10.5x</b>	<b>7.3%</b>	<b>6.3%</b>	<b>12.8%</b>	<b>14.8%</b>	<b>16.0%</b>	<b>16.5%</b>	<b>5.1%</b>	<b>5.3%</b>	<b>5.9%</b>

# Public Comps

## EV/Revenue



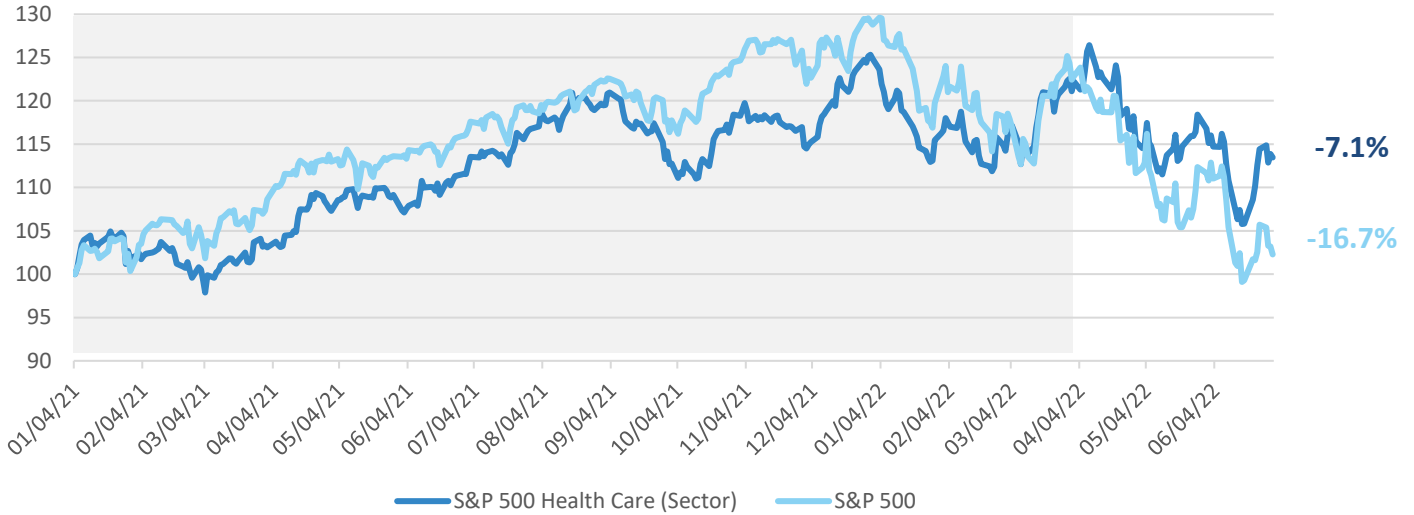
## EV/EBITDA



# Public Markets

## Index Performance

From April 1 – June 30, 2022, the S&P 500 Health Care Index declined 7.1% compared to a 16.1% loss for the S&P 500 Index.

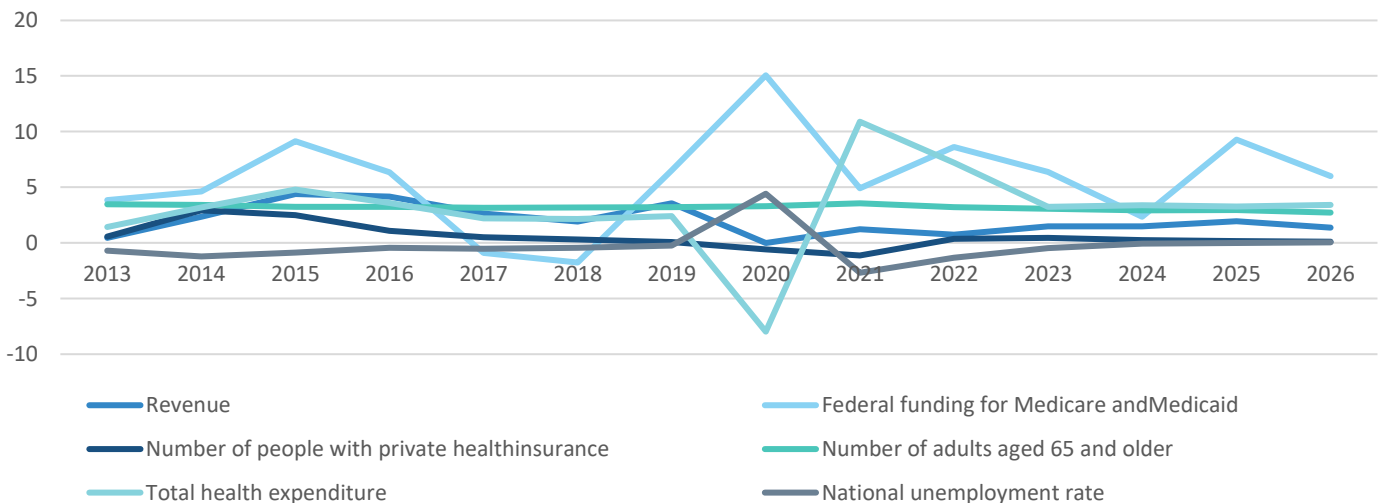


## Key External Drivers

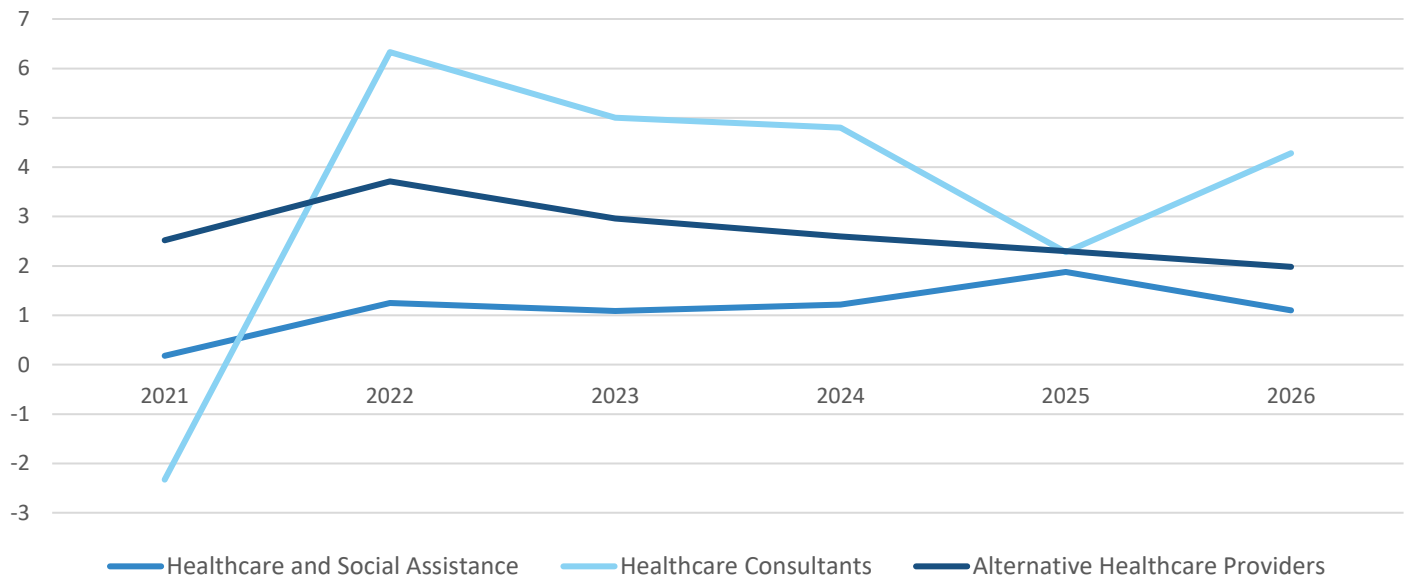
Operators in this sector are influenced by the level of funding provided by the federal government. Rebates and funding arising from Medicare and Medicaid enable services to be charged at lower costs to patients. In addition, as the baby boomer generation ages and average life expectancy rises, more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



## Behavioral Health

Positive reimbursement and demand dynamics have made behavioral health the hottest private equity provider segment. While multiples are expected to remain sky-high for the next several years, Medicaid expansion and telehealth reimbursement rates will shape the behavioral health space in the medium to long term.

## COVID-19 Vaccinations

As of June 29, 2022, 66.9% of US citizens have been fully vaccinated for COVID-19. This has helped to reduce the stress on Hospitals and other Healthcare infrastructure, which are now returning to a sizable backlog of non-urgent and elective procedures.

## Aging Population

The average lifespan for individuals continues to increase, which should serve as a growing source of demand for healthcare in future years. Currently in the US, the number of individuals over 65 years old is 16.5% of the total population. This percentage has quadrupled since 1900 and is expected to grow to 21.6% by 2040.

## Generic Drug Proliferation

Between 2013 and 2018, there has been an average of 588 generic and biosimilar drug approvals from the FDA per year. However, in 2021, there was a total of 776. This has helped managed care providers as they shift members health plans to cheaper alternatives, which pharmaceutical companies have suffered from lower selling prices.

# 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.



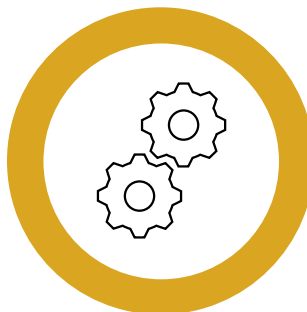
## **Buy-Side Advisory: Buy a business**

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



**R. Trevor Hulett, CPA**  
Managing Director  
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thulett@rlhulett.com

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**  
Chairman Emeritus  
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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**  
Director  
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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.



**Ryan Hartman**

Analyst

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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.



**Lynda Hulett**

Marketing

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Lynda Hulett leads the firm's marketing, administrative and communication efforts. She maintains the firm's proprietary CRM database, manages outbound firm communications and provides administrative support to senior deal managers. Prior to joining R.L. Hulett, Lynda spent the previous ten years in various marketing and administrative functions. Most recently, she worked as a client liaison providing administrative support for a CPA firm. Prior to that, she was employed by Moneta Group, a financial services advisory firm, where she provided marketing and administrative support to the client managers. Lynda graduated from the University of Missouri – Columbia, receiving her business degree with an emphasis in Marketing.



## 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**

### Disclaimer

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