



Healthcare M&A Update

Q4 2022

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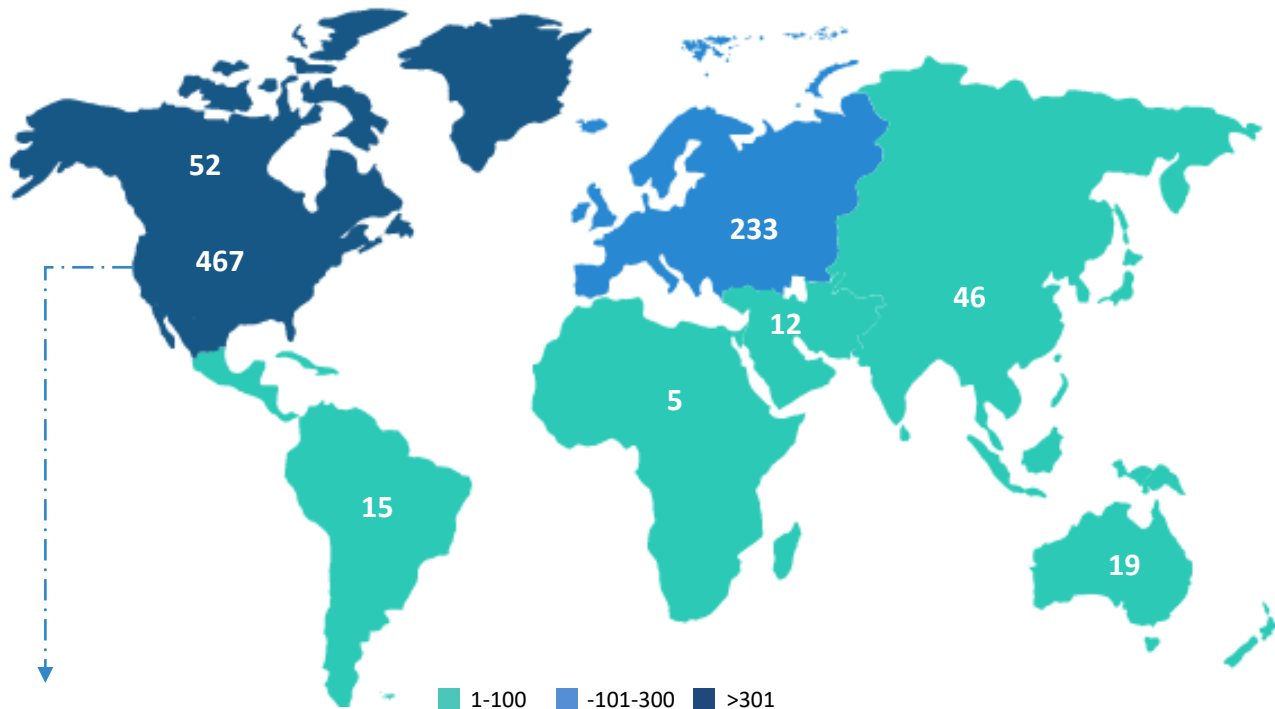
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REPORT HIGHLIGHTS

- The Health Care Industry Index increased 10.0% in Q4 2022 and outperformed the S&P 500 index, which increased 4.4% in the same period.
- M&A deal volume was down 14.9% to 849 completed transactions in Q4 2022 compared to 998 deals in Q3 and down 18.4% from 1,040 deals in Q4 of the prior year.
- Total capital invested decreased 29.3% to \$87 billion in Q4 2022 from \$123 billion in Q3 and 21.6% from \$111 billion in Q4 of the prior year.
- PE investors accounted for 55.1% of deal volume in Q4 2022 vs. Strategic Buyers with 44.9%. PE's share of total volume is up slightly from 54.7% in 2021.
- North America was the most active region in Q4 2022 with 519 deals. Most notably in North America was the \$18.0 billion acquisition of Abiomed by Johnson & Johnson in December 2022.

Global Deal Analytics

Of the 849 deals in Q4 2022, North America was the most active market with 519. Europe was the second most active region with 233. Most notably in Europe was Biocon's \$3.0 billion acquisition of Mylan's Biosimilar Businesses in November 2022. All other regions combined for a total of 97 completed transactions.



Canada: 52

United States Regions: 467

Southeast:	93
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Mid Atlantic:	91
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Great Lakes:	72
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West Coast:	64
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Mountain:	46
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Other:	101
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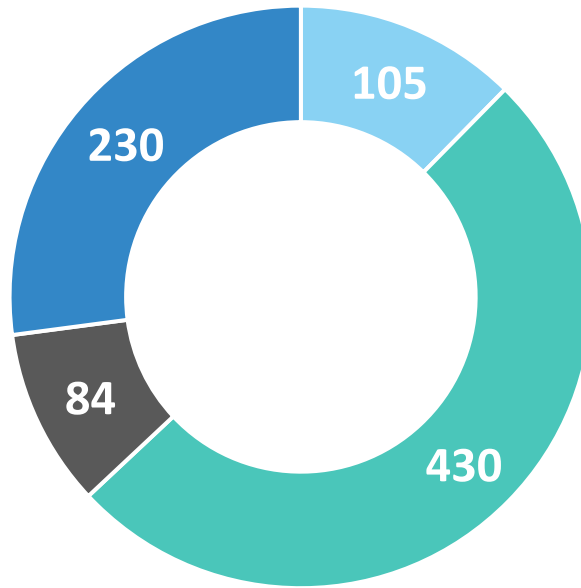
In the North American market, the Southeast region was the most active in Q4 2022 with 93 deals, followed by the Mid Atlantic with 91. Another notable North American deal (in addition to Abiomed mentioned on the previous page) was Pfizer's \$13.0 billion acquisition of Biohaven, a British Virgin Islands based biopharmaceutical company, in October 2022. The Great Lakes and West Coast regions reported 72 and 64 transactions, respectively. The Mountain region reported 46 and all other regions totaled 101 closed transactions.

Outside of the U.S. in the North America market, 52 transactions closed in the Canadian market Q4 2022.

Global Deal Analytics

Of the 849 Healthcare deals in Q4, 430 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 230 deals followed by Healthcare Devices and Supplies and Healthcare Technology Systems with 105 and 84 closed transactions, respectively.

Deal by Subsector



Healthcare Devices and Supplies



Healthcare Services



Healthcare Technology Systems

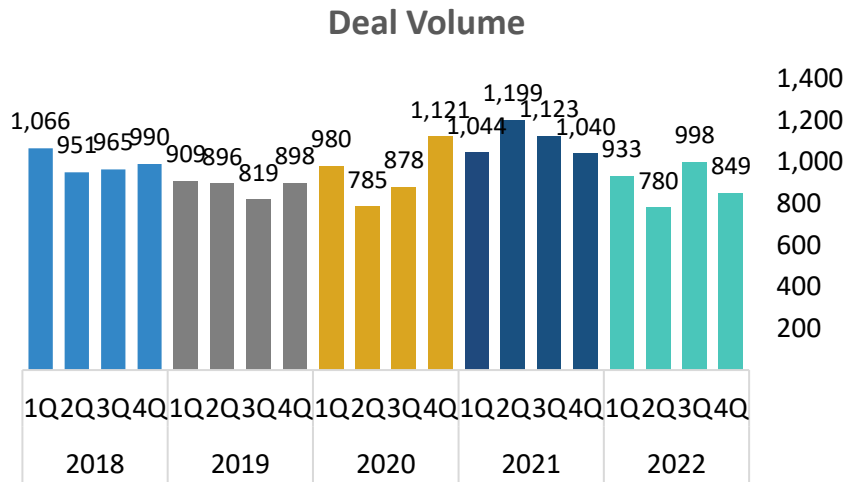


Pharmaceuticals and Biotechnology

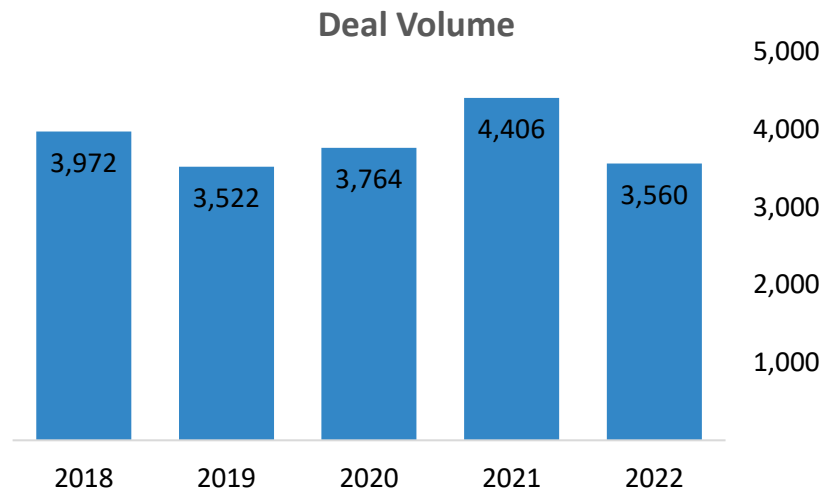


Global Deal Analytics

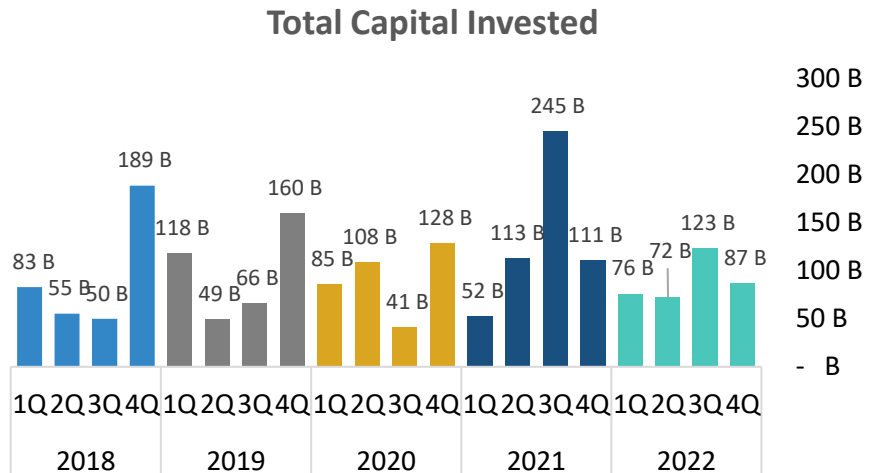
Deal volume in the Healthcare sector decreased 14.9% in Q4 2022 to 849 deals from 998 in Q3 and decreased 18.4% from 1,040 deals in Q4 of the prior year. Q4 of 2022 represents the third lowest deal volume seen in the Healthcare sector since the pandemic began in 2020.



M&A deal volume saw a 19.2% decline to 3,560 deals in 2022, down from 4,406 in 2021. This decline is due to a number of factors including rising interest rates/cost of capital, tightening liquidity in the capital markets, ongoing delays in the supply chain and continuing inflation impacting labor and materials costs.



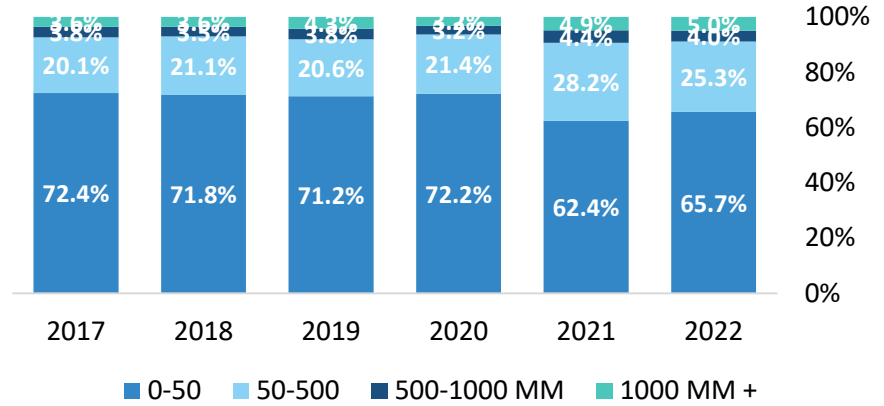
In Q4 2022, total capital invested in M&A transactions in the Healthcare sector decreased 29.3% to \$87B from \$123B in Q3 and decreased 21.6% from \$111B in Q4 of the prior year. The decrease in total capital invested from Q3 2022 is primarily due to a 14.9% decline in deal volume, partially offset by a slight increase in size of transactions in Q4.



Global Deal Analytics

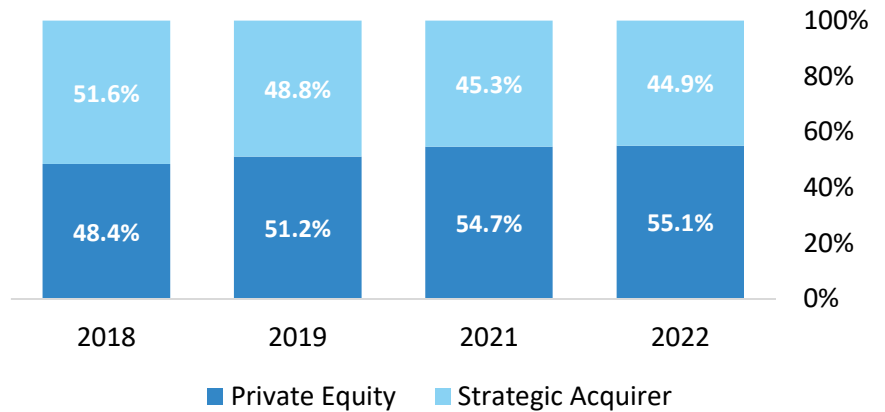
Deal volume in the lower (\$0-\$50MM) and larger (\$1000MM+) tranches of the market increased from 62.4% and 4.9% in 2021 to 65.7% and 5.0% in 2022, respectively. However, deal volume in the lower middle (\$50-\$500MM) and the upper-middle (\$500-\$1000MM) tranches decreased from 28.2% and 4.4% in 2021 to 25.3% and 4.0% in 2022, respectively.

Deal Volume by Deal Size



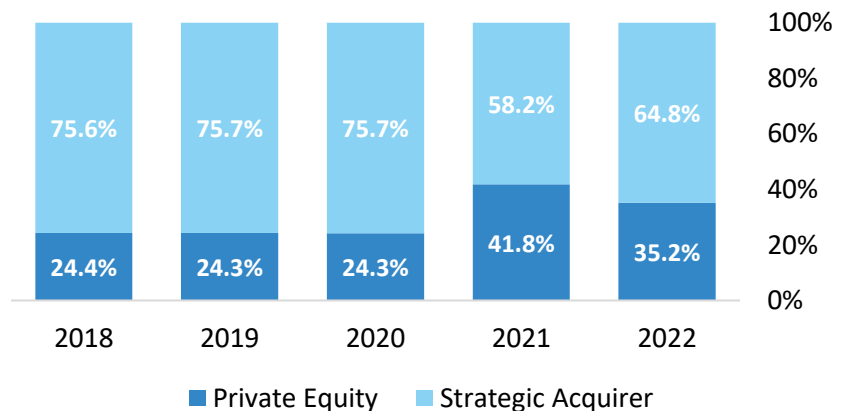
We have seen PE participation in the Healthcare sector gradually increase over the last three years to reach its highest level at 55.1% of deal volume in 2022. The rate of increase is slowing so we would expect 2023 levels to remain relatively consistent as the PE growth curve slows.

Deal Volume by Acquirer



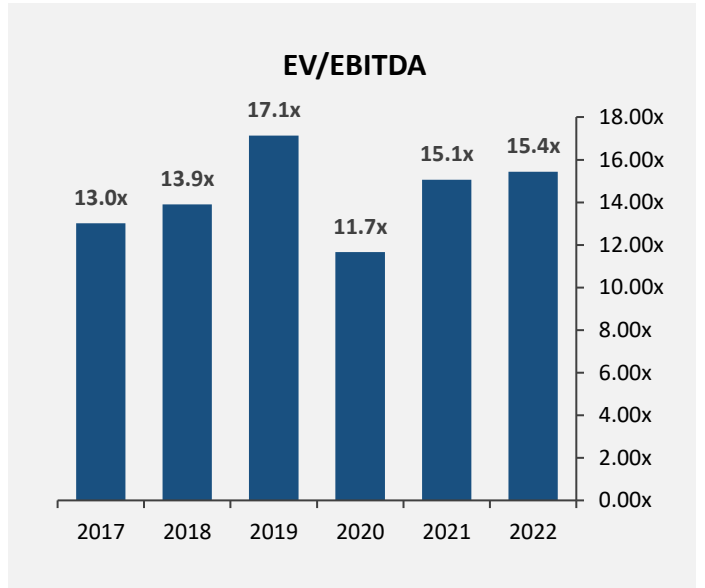
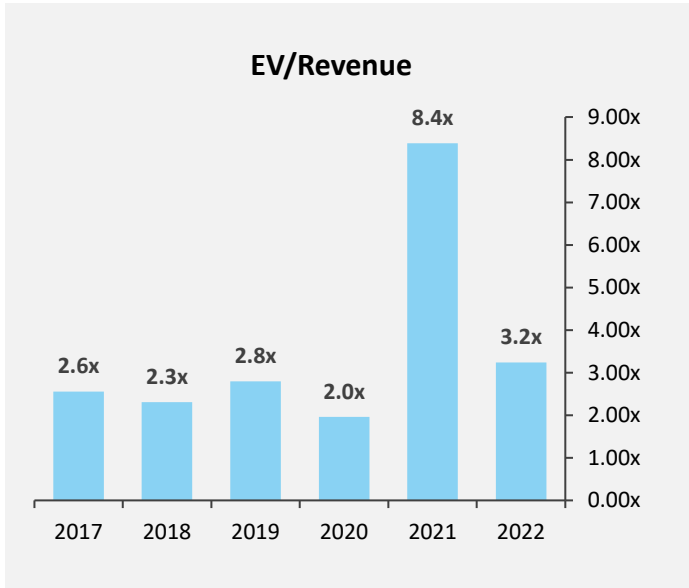
In terms of Total Capital Invested, Private Equity participation decreased significantly in 2022 to 35.2% from 41.8% in the prior year. 2022 appears to have reverted more in line with historical levels irrespective of the anomaly we saw in 2021.

Total Capital Invested by Acquirer

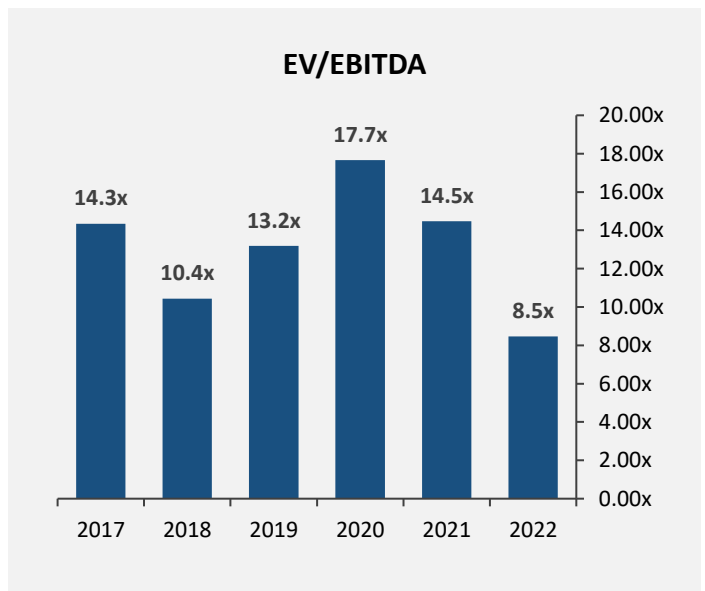
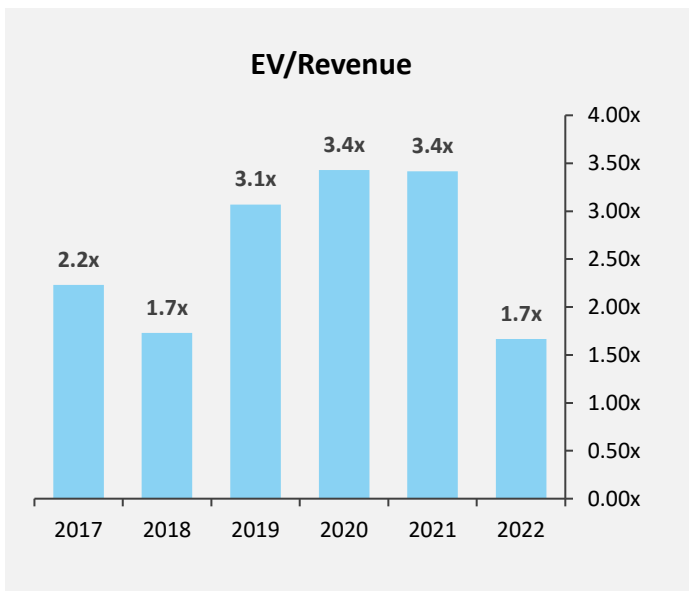


Valuation Multiples

PE Multiples



Strategic Multiples



Largest Deals (Disclosed)

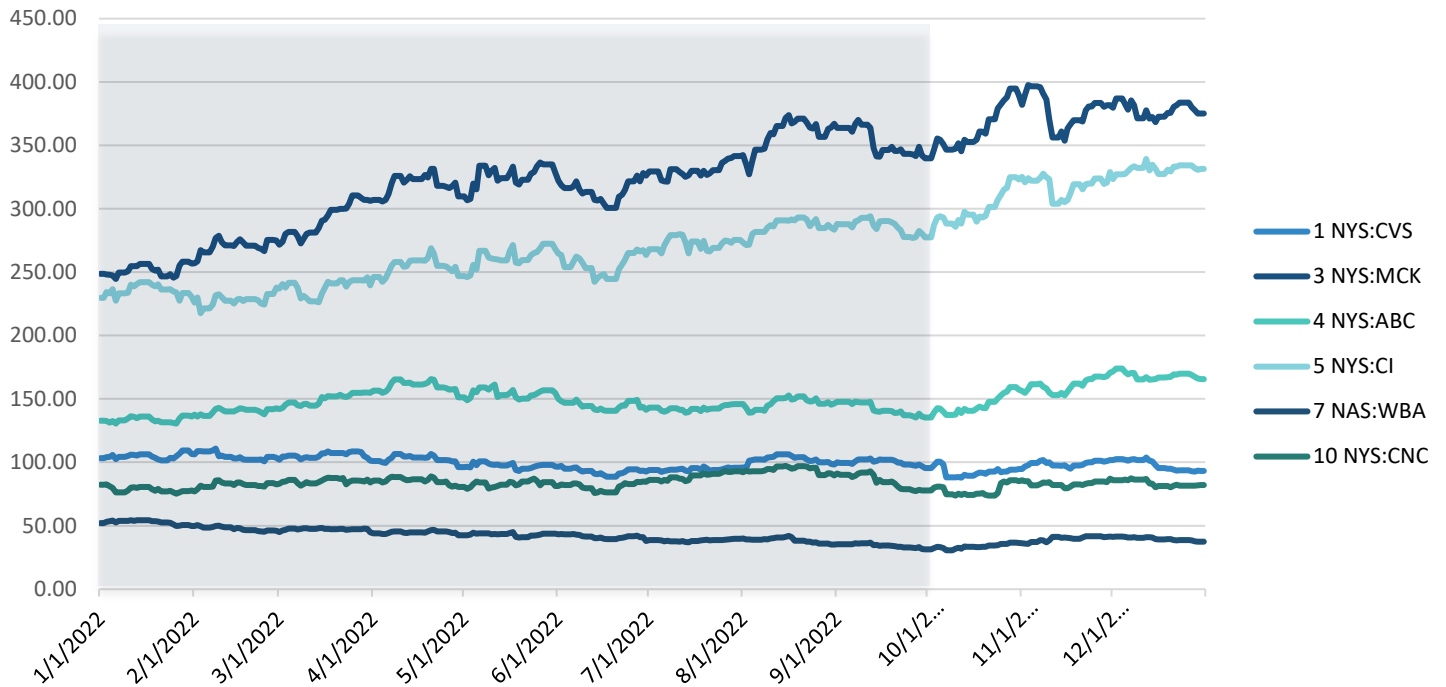
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
22-Dec-2022	Abiomed	Johnson & Johnson	Merger/Acquisition	\$ 18,000.0	15.99x	46.59x	Provider of temporary mechanical circulatory support devices that are primarily used by cardiologists and heart surgeons.
03-Oct-2022	Biohaven	Pfizer	Merger/Acquisition	13,000.0			A clinical-stage biopharmaceutical company focused on discovering and developing therapies.
03-Oct-2022	Change Healthcare	Optum	Merger/Acquisition	13,000.0	3.69x	16.25x	A spinoff of various healthcare processing and consulting services acquired by McKesson over numerous years.
21-Oct-2022	Summit Medical Group	Evernorth Health, VillageMD	Merger/Acquisition	8,900.0			Provider of multi-specialty medical services intended to reshape health care through the power of connection.
05-Oct-2022	Global Blood Therapeutics	Pfizer	Merger/Acquisition	5,400.0	20.79x		A developer of novel therapeutics to address blood-based disorders.
20-Oct-2022	Chemocentryx	Amgen	Merger/Acquisition	3,700.0	90.63x		A biopharmaceutical company involved in the development and commercialization of orally administered drugs.
29-Nov-2022	Viatrix	ADQ, Biocon Biologics	Buyout/LBO	3,335.0			Operator of biologics business unit intended to treat various types of health conditions.
29-Nov-2022	Mylan	Biocon	Merger/Acquisition	3,000.0			Developer of diabetes generic pharmaceutical drugs based in Hatfield, United Kingdom.
14-Dec-2022	Norgine	Goldman Sachs Asset Management	Buyout/LBO	2,085.5			Manufacturer of specialty pharmaceutical products focused on adding value to healthcare systems and patients.
03-Oct-2022	Hanger	Patient Square Capital	Buyout/LBO	1,250.0	1.04x	12.17x	Provider of products and services that assist in enhancing or restoring the physical capabilities of patients with disabilities.
22-Nov-2022	MediFox	ResMed	Merger/Acquisition	1,000.0			Developer of enterprise system software for outpatient care services, inpatient care facilities and therapeutic practices.
01-Nov-2022	Rx Savings Solutions	McKesson	Merger/Acquisition	875.0			Developer of a SaaS-based healthcare platform intended to save money on prescription medications.
01-Nov-2022	Omni Ab	Avista Public Acquisition II	Reverse Merger	850.0			Provider of therapeutic antibody discovery technologies.
03-Oct-2022	Kronans Apotek	Apoteksgruppen i Sverige Holding	Merger/Acquisition	693.0			Operator of retail pharmacy chain and ecommerce platform designed to offer pharmaceutical products and services.
01-Dec-2022	Akouos	Eli Lilly	Merger/Acquisition	610.0			A genetic medicine company focused on developing gene therapies that restore, improve, and preserve hearing.
04-Oct-2022	Metrics Contract Services	Catalent	Merger/Acquisition	479.7			Provider of contract development and manufacturing services in the medical sector.
08-Nov-2022	ARS Pharmaceuticals	Silverback Therapeutics	Reverse Merger	435.0			A biopharmaceutical company helping caregivers and patients to protect themselves from severe allergic reactions.
08-Nov-2022	Silverback Therapeutics	ARS Pharmaceuticals	Merger/Acquisition	435.0			A clinical-stage biopharmaceutical company.
14-Oct-2022	Corium Pharma Solutions	Gurnet Point Capital, Webster Equity Partners	Buyout/LBO	408.0			Provider of contract development and manufacturing services based in the United States.
13-Oct-2022	Asymchem Bio	Hillhouse Capital Group, Trinity Innovation Fund	PE Growth/Expansion	357.2			Operator of a contract development and manufacturing organization (CDMO).

Leading M&A Deals

Deal	Deal Synopsis	Driver
 	<p>Abiomed provides temporary mechanical circulatory support devices that are primarily used by interventional cardiologists and heart surgeons. The company was acquired by Johnson & Johnson for \$18 billion in December 2022. The completion of this acquisition allows Johnson & Johnson to expand its portfolio in the high growth cardiovascular area.</p>	<p>Merger/ Acquisition</p>
 	<p>Biohaven is a clinical-stage biopharmaceutical company focused on discovering and developing therapies to improve the lives of patients. Pfizer acquired all of the outstanding shares of Biohaven for approximately \$13 billion in October 2022. This acquisition increases Pfizer's potential to bring new treatment options to patients with migraines, a disease which affects over 1 billion people worldwide.</p>	<p>Merger/ Acquisition</p>
 	<p>Change Healthcare, a spinoff of various healthcare processing and consulting services acquired by McKesson over numerous years, was acquired by Optum for \$13 billion in October 2022. Change Healthcare provides insurance claim services to healthcare providers. The acquisition enables Optum to increase its capabilities to more effectively connect and simplify core clinical, administrative, and payment processes.</p>	<p>Merger/ Acquisition</p>
 	<p>Summit Medical Group is a provider of multi-specialty medical services intended to reshape health care through the power of connection. The company was acquired by VillageMD and Evernorth Health for \$8.9 billion in October 2022. The acquisition provides an exceptional, comprehensive patient experience including primary, specialty and urgent care services for VillageMD.</p>	<p>Merger/ Acquisition</p>

Public Comps

Stock Price

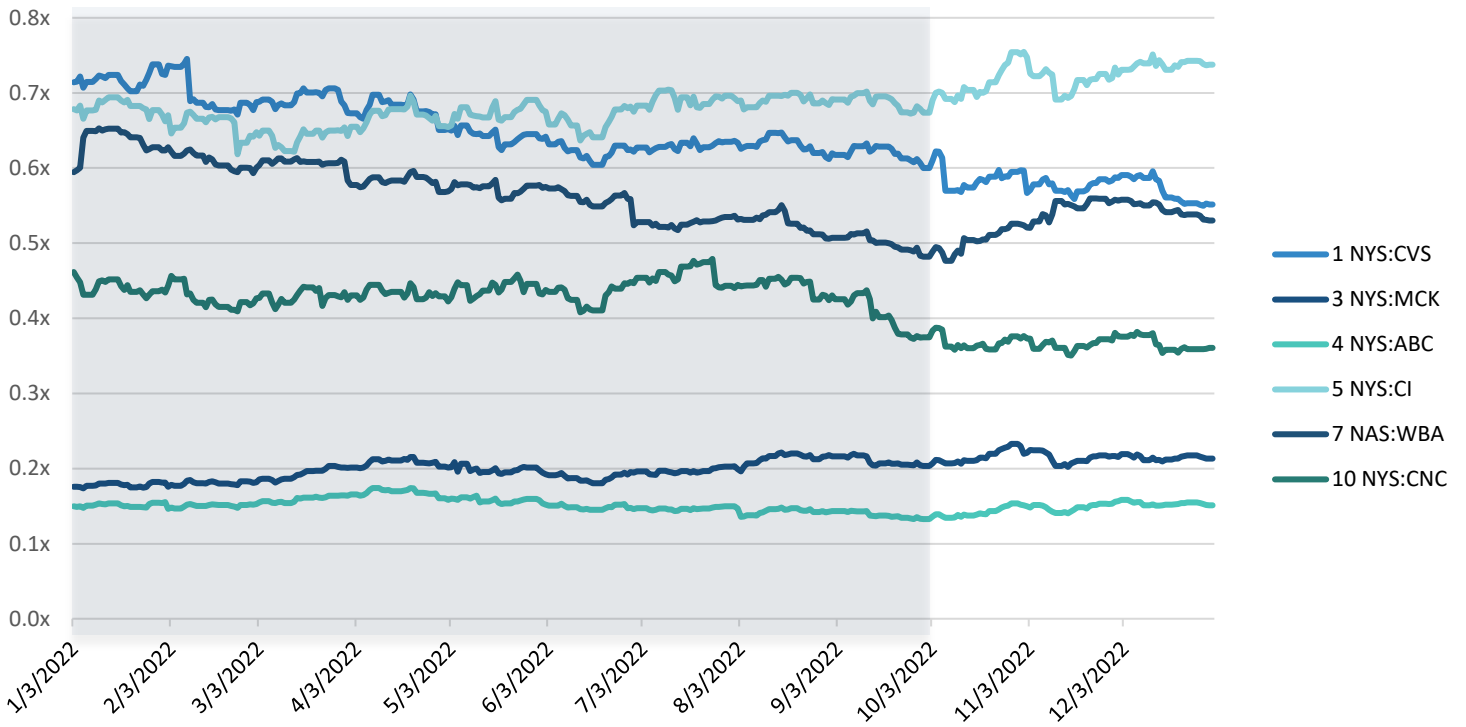


Financial & Valuation

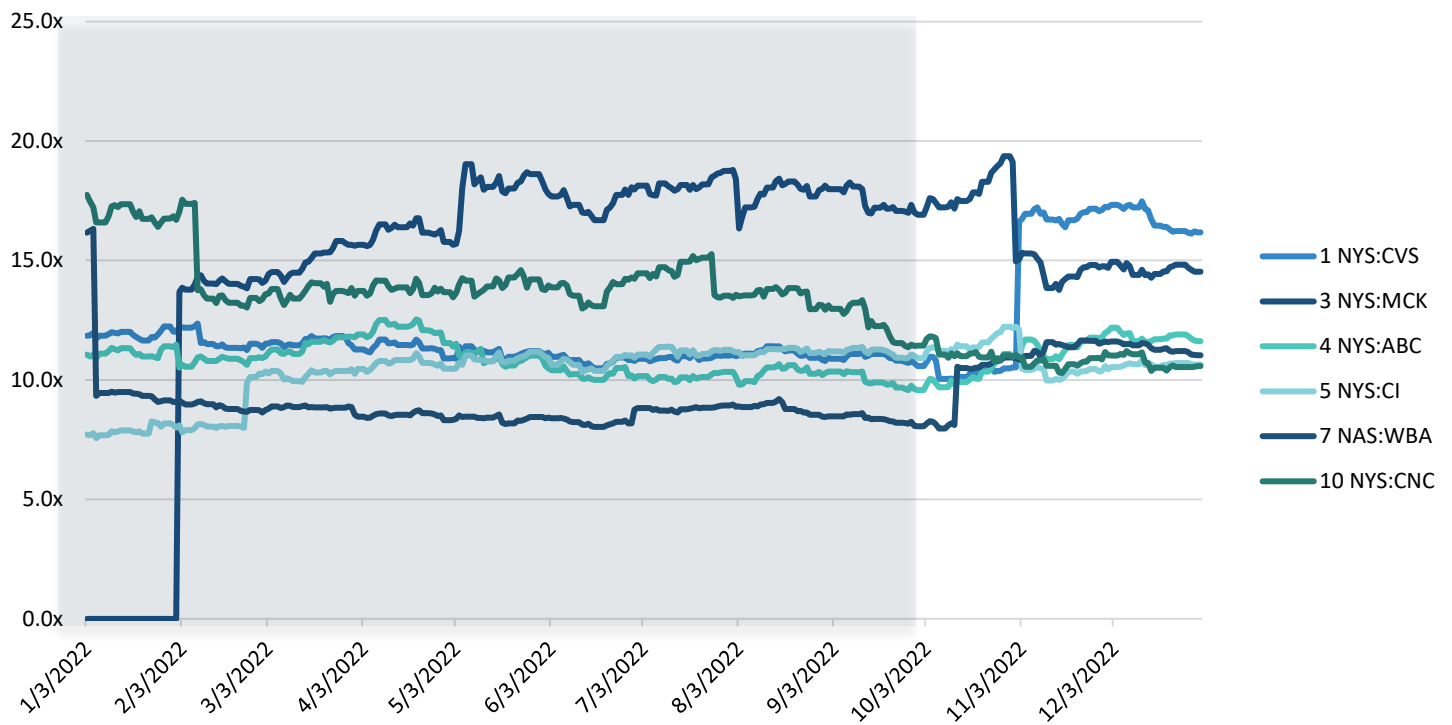
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			Gross Margin			EBITDA Margin		
						20A	21A	22A	20A	21A	22A	20A	21A	22A	20A	21A	22A	20A	21A	22A
	CVS Health	NYS:CVS	93	122,449	71,072	0.6x	0.7x	0.7x	9.0x	11.8x	10.5x	9%	7%	3%	18%	18%	17%	7%	6%	6%
	UnitedHealth Group	NYS:UNH	530	495,373	48,667	1.4x	1.8x	1.6x	13.4x	19.9x	16.4x	6%	10%	15%	26%	24%	24%	11%	9%	10%
	McKesson	NYS:MCK	375	53,190	7,212	0.2x	0.2x	0.2x	9.3x	N/A	9.1x	6%	7%	5%	5%	5%	4%	2%	-2%	2%
	AmerisourceBergen	NYS:ABC	166	33,486	5,703	0.1x	0.2x	0.1x	N/A	11.1x	9.1x	6%	13%	6%	3%	3%	3%	-3%	1%	2%
	Cigna	NYS:CI	331	101,304	38,506	0.7x	0.7x	0.6x	10.1x	7.6x	10.6x	21%	9%	5%	N/A	N/A	10%	7%	9%	6%
	Cardinal Health	NYS:CAH	77	20,150	5,267	0.1x	0.1x	0.1x	9.8x	7.8x	6.7x	5%	8%	7%	4%	4%	4%	1%	1%	1%
	Walgreens Boots Alliance	NAS:WBA	37	32,217	35,478	0.5x	0.6x	0.6x	22.6x	16.0x	11.9x	2%	9%	0%	21%	21%	22%	2%	4%	5%
	Johnson & Johnson	NYS:JNJ	177	461,849	32,027	5.2x	5.0x	4.6x	16.1x	16.6x	12.2x	-1%	13%	2%	66%	68%	72%	32%	30%	37%
	Centene	NYS:CNC	82	46,439	21,564	0.4x	0.5x	0.4x	8.1x	17.7x	9.3x	41%	20%	0%	14%	11%	18%	5%	3%	4%
	Mean					1.0x	1.1x	1.0x	12.3x	13.6x	10.6x	10.3%	10.6%	4.7%	19.7%	19.2%	19.3%	7.2%	6.8%	8.0%
	Median					0.5x	0.6x	0.6x	9.9x	13.9x	10.5x	5.6%	8.6%	5.0%	16.0%	14.5%	17.0%	4.8%	3.7%	4.6%

Public Comps

EV/Revenue



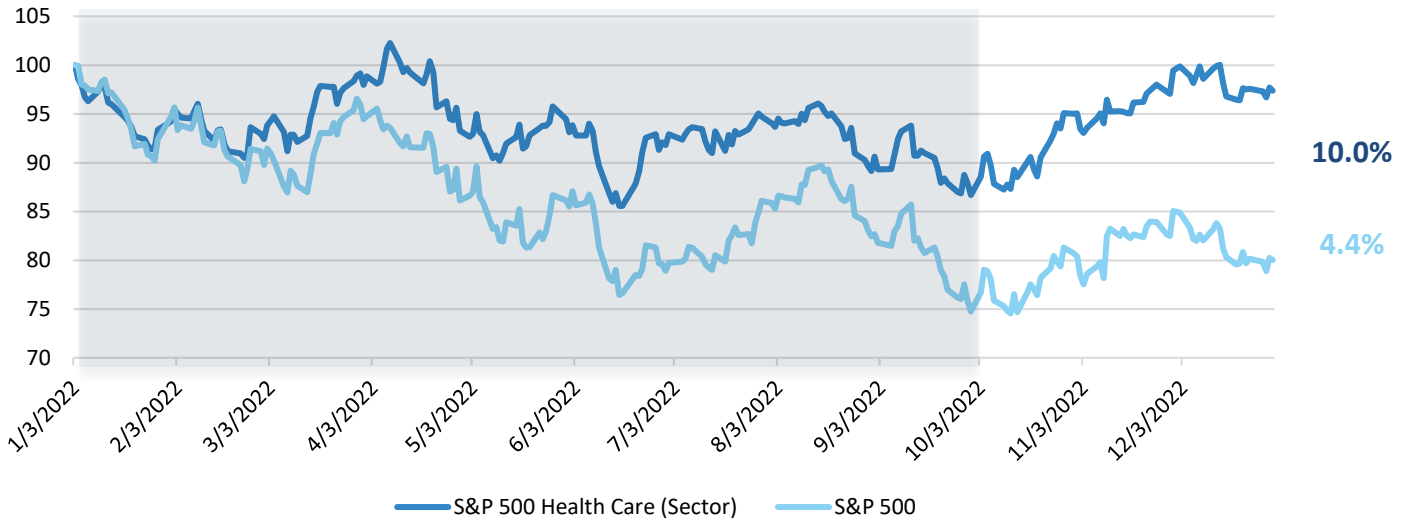
EV/EBITDA



Public Markets

Index Performance

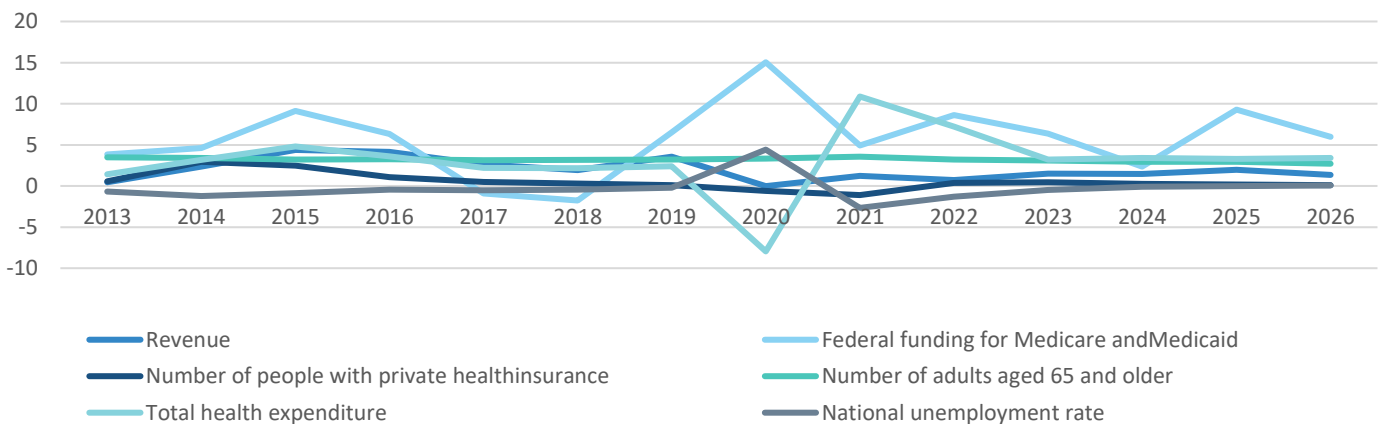
From October 1 – December 31, 2022, the S&P 500 Health Care Index increased 10.0% compared to a 4.4% increase for the S&P 500 Index.



Key External Drivers

Overall, the Healthcare industry tends to be more stable and resistant to volatility in the broader economy than other industries. December 2022 CPI inflation came out at 6.5% marking the sixth consecutive month of declining inflation. Despite a trend of declining inflation, the federal reserve is anticipated to continue quantitative tightening, in the form of rate hikes to the Fed Fund Rate, to slow down consumer spending until inflation reaches normal levels around 2%. These ongoing rate hikes will likely send the United States economy into a mild recession sometime during 1H 2023 and result in lower revenues for the Healthcare sector.

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.



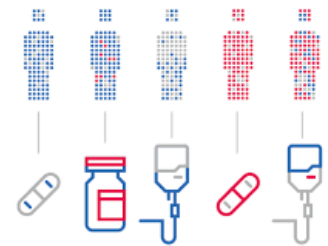
Source: IBISWorld, S&P Global

Industry Trends

Personalized Healthcare

Tailored medicine

During 2023, patients will have more opportunities to receive healthcare delivery that is personalized specifically to them. This includes the concept of precision medicine, where drugs and other treatments are specifically tailored to a group of patients based on factors such as age, genetics or risk factors.



Remote Healthcare

Virtual Hospitals, Healthcare Communities, and Telehealth

There is an increase in home-based care driven by evidence that shows that a familiar environment and proximity to a family can have a positive effect on patient outcomes. Telemedicine continues to evolve covering everything from video calls between doctors and patients to remote surgery, where a surgeon performs surgery on a patient in a remote location using robotic technology.



Retail Healthcare

Convenient Healthcare

The amount of healthcare business conducted through retail outlets is forecasted to double in 2023. This is becoming an increasingly visible trend as retailers like Walmart, Amazon, and CVS offer healthcare services such as blood tests, vaccinations, and medical check-ups that have traditionally been delivered by hospitals, clinics or physician practices.



Artificial Intelligence

The market for AI tools in healthcare is forecast to top \$20 million in 2023

AI is now being used in new drug discovery, where it can assist with predicting outcomes of clinical trials and potential side effects of new drugs, as well as analysis of medical imagery, which uses computer vision algorithms to spot early signs of disease in x-rays or MRI scans.



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.



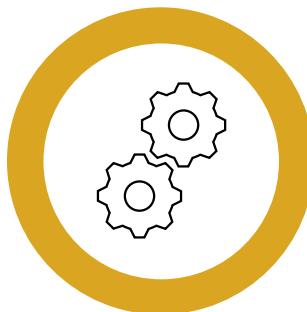
Buy-Side Advisory: Buy a business

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

Over the years, R.L. Hulett has completed hundreds of transactions in a wide variety of industries. Please note that this list is not comprehensive. It is common for sellers and/or buyers to request confidentiality regarding their transactions, and R.L. Hulett respects such requests as a matter of policy.





Has sold substantially all of its assets to



Bain Capital *Ventures*

Has been acquired by






Has been acquired by



Has sold substantially all of its assets to





Has been recapitalized by

Frontenac




Has been acquired by




Our M&A Deal Leaders



R. Trevor Hulett, CPA
Managing Director
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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
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 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

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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

R.L. Hulett is a middle-market investment bank based in St. Louis, Missouri, providing M&A and financial advisory services to middle-market companies. Since its founding in 1981, the firm has advised in over 275 transactions in a variety of industries including industrials, food & beverage, packaging, business services, transportation & logistics, healthcare and software/tech-enabled services. 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:



Healthcare



Transportation & Logistics



Packaging



Industrials



Tech-enabled Services



Food & Beverage

Disclaimer

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