



# Healthcare M&A Update

## Q1 2023

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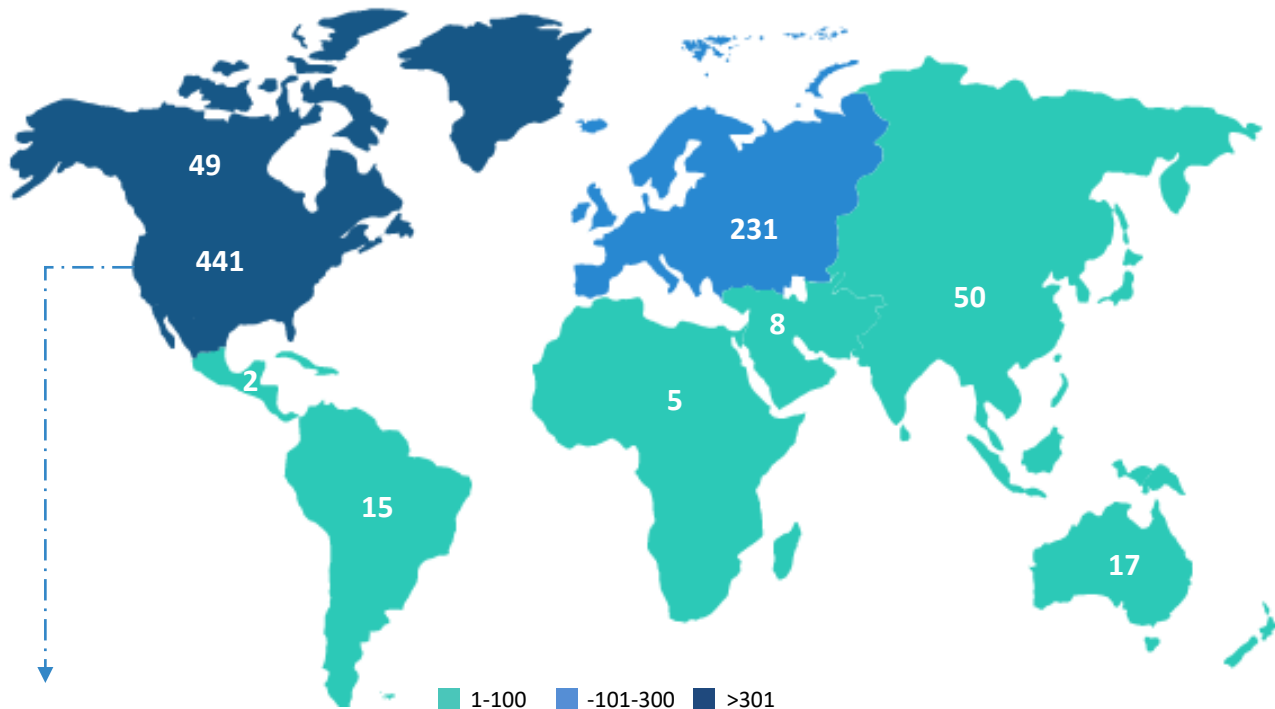
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### REPORT HIGHLIGHTS

- The Healthcare Industry Index decreased 4.4% in Q1 2023 and was outperformed by the S&P 500 index, which increased 7.5% in the same period.
- The median EV/EBITDA multiple for reported PE deals decreased to 9.3x in Q1 2023 from 15.6x in 2022, but increased for strategic deals to 11.6x from 8.5x over the same period.
- M&A deal volume in the healthcare sector was down 3.7% to 818 completed transactions in Q1 2023 compared to 849 deals in Q4 2022 and 12.3% from 933 deals in Q1 of the prior year.
- Total capital invested decreased 27.0% to \$63.5 billion in Q1 2023 from \$87.0 billion in Q4 and decreased 16.3% from \$75.9 billion in Q1 of the prior year.
- North America was the most active region in Q1 2023 with 490 deals. Most notably in North America was the \$8.9 billion acquisition of Summit Medical Group by Evernorth Health in January 2023.

# Global Deal Analytics

Of the 818 deals in Q1 2023, North America was the most active market with 490. Europe was the second most active region with 231. Most notably in Europe was Kohlberg Kravis Roberts' \$3.2 billion acquisition of IVI-RMA Global in January 2023. All other regions combined for a total of 97 completed transactions.



**Canada: 49**

**United States Regions: 441**

Southeast:	89
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Mid Atlantic:	88
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West Coast:	63
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Great Lakes:	53
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South:	52
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Other:	96
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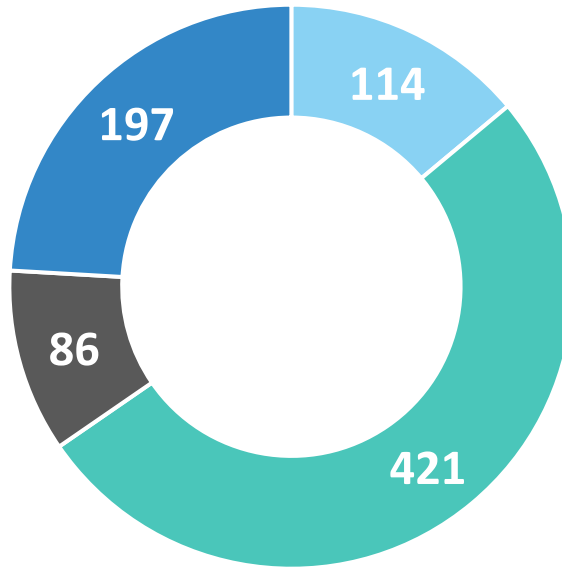
In the North American market, the Southeast region was the most active in Q1 with 89 deals, followed by the Mid Atlantic with 88. The West Coast and Great Lakes regions reported 63 and 53 transactions, respectively. The South region reported 52 and all other regions totaled 96 closed transactions. Another notable North American deal (in addition to Summit Medical Group mentioned on the previous page) was CVS Health's \$8.0 billion acquisition of Signify Health, a Texas provider of value-based payment programs, in March 2023.

Outside of the U.S. in the North America market, Canada reported 49 transactions in Q1.

# Global Deal Analytics

Of the 818 Healthcare deals in Q1, 421 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 197 deals followed by Healthcare Devices and Supplies and Healthcare Technology Systems with 114 and 86 closed transactions, respectively.

**Deal by Subsector**



Healthcare Devices and Supplies

Healthcare Services

Healthcare Technology Systems

Pharmaceuticals and Biotechnology

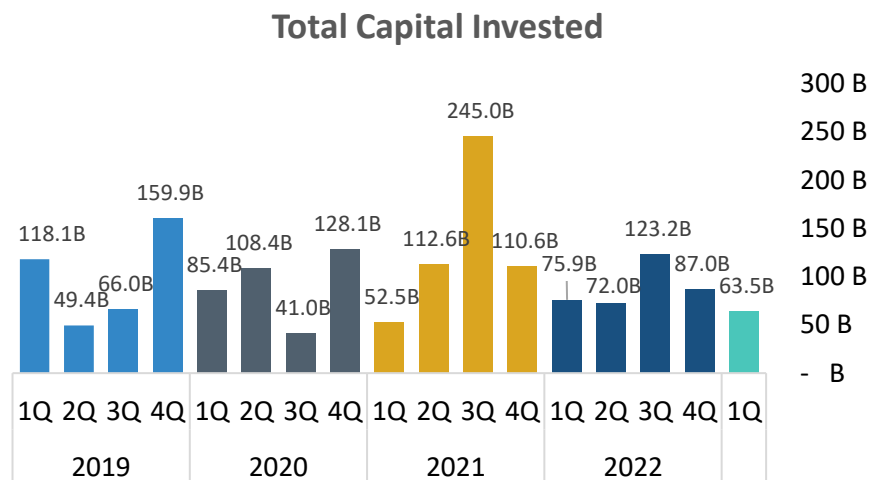
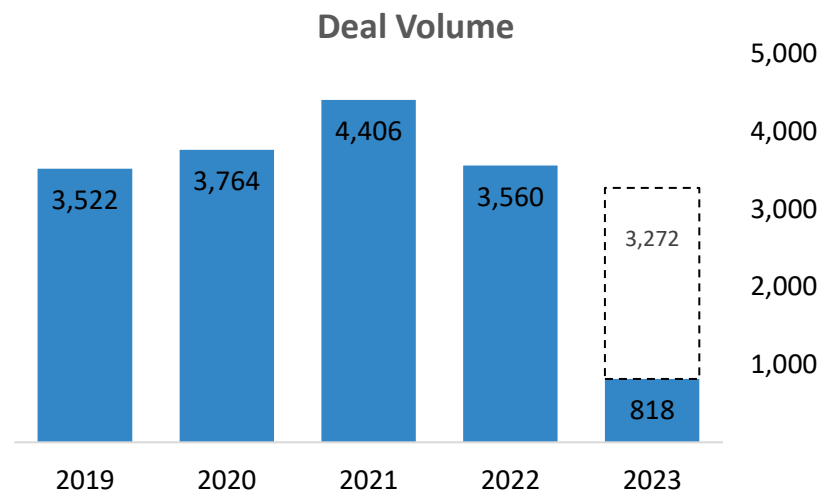
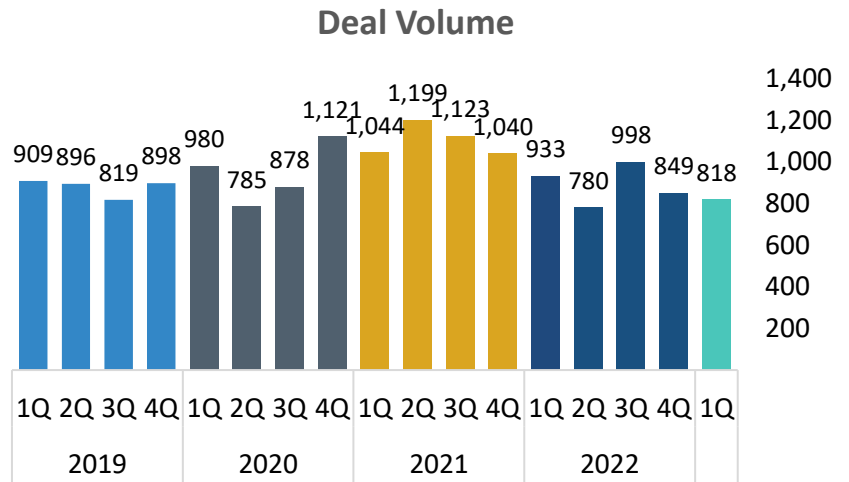


# Global Deal Analytics

Deal volume in the Healthcare sector decreased 3.7% in Q1 2023 to 818 deals from 849 in Q4 2022 and decreased 12.3% from 933 deals in Q1 of the prior year. Deal volume in Q1 of 2023 represented the third lowest quarter since 2018.

Based on Q1 levels, M&A deal volume for 2023 is projected to decrease 8.1% to 3,272 deals, down from 3,560 in FY 2022. This decline is primarily due to more challenging market conditions from a dealmaking perspective, including rising interest rates/cost of capital, tightening liquidity in the capital markets and continuing inflation impacting labor and materials costs.

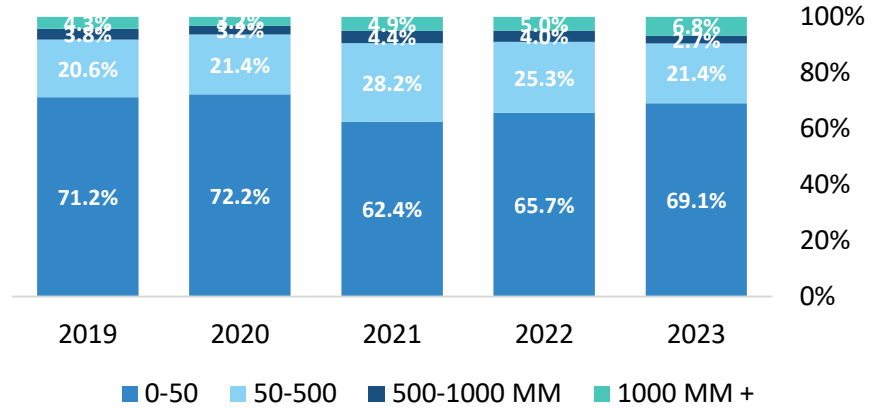
Total capital invested in M&A deals in the Healthcare sector decreased 27.0% in Q1 2023 to \$63.5B from \$87.0B in Q4 2022, and decreased 16.3% from \$75.9B in Q1 of the prior year. This drop from the prior quarter is primarily due to Johnson & Johnson's \$18.0B acquisition of Abiomed in December 2022 whereas the largest reported transaction in Q1 2023 was Evernorth Health's \$8.9B acquisition of Summit Medical Group in January.



# Global Deal Analytics

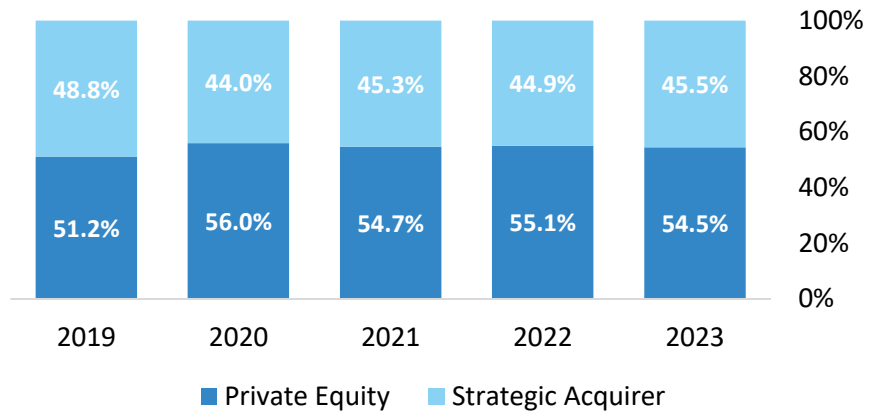
In Q1 2023, we saw a shift in mix toward smaller deals with the lower middle market tranche (\$0-\$50MM) increasing to 69.1% of deal volume from 65.7% in 2022. The large cap market (\$1000MM+) ticked up slightly to 6.8% from 5.0% in 2022 while the upper middle (\$500-\$1000MM) and middle (\$50-\$500MM) tranches of the market both saw declines in Q1 from 2022.

Deal Volume by Deal Size



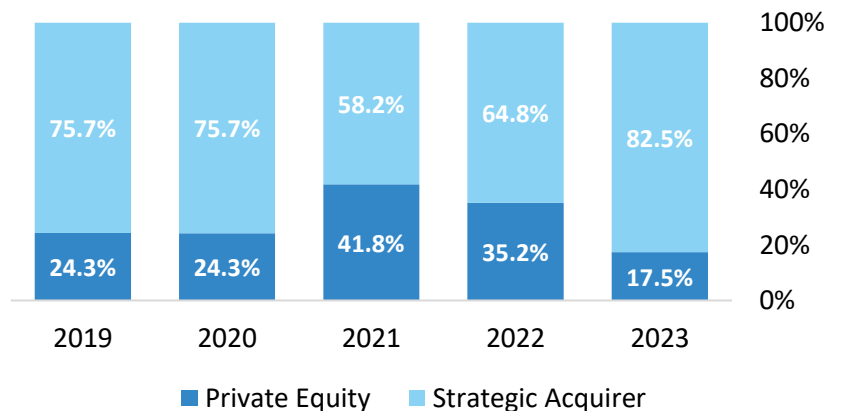
As a % of total deal volume, PE buyers trended slightly lower in Q1 relative to strategic buyers, representing 54.5% of deal volume in the sector. Q1 2023 marks the lowest percentage of PE deal volume over the last 4 years.

Deal Volume by Acquirer



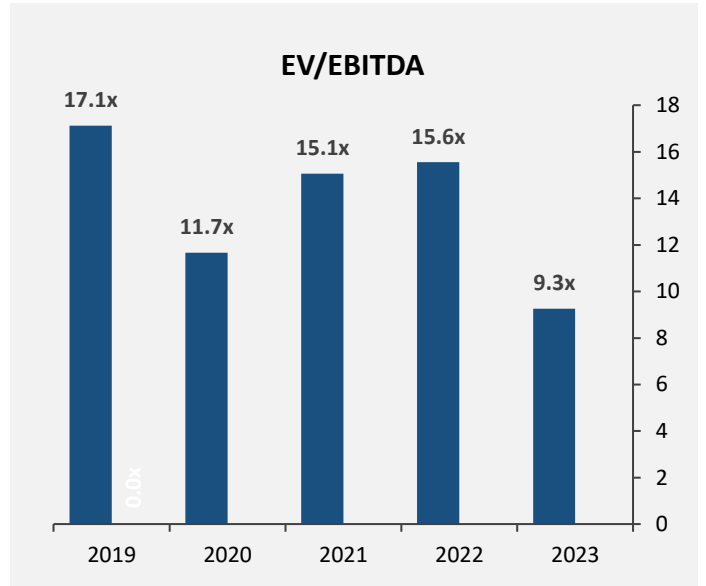
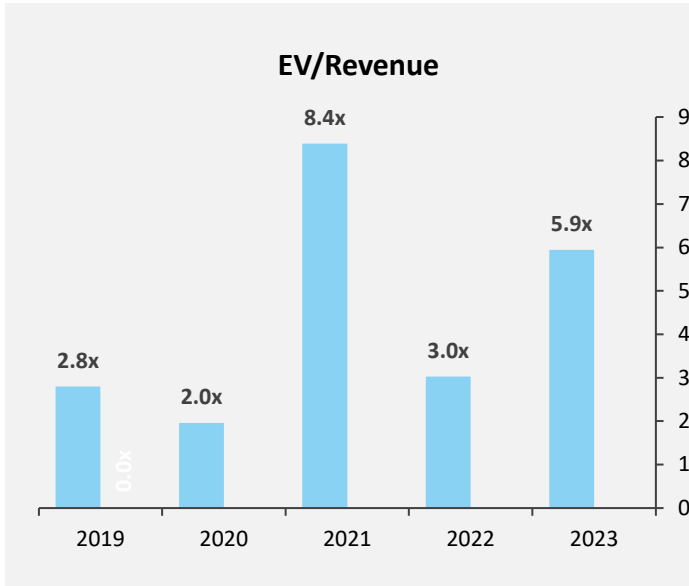
Following the trend in deal volume, PE share of total capital invested in M&A deals declined significantly in Q1 to 17.5%, down from 35.2% in 2022. PE's share of deal volume in Q1 represents the lowest share in five years. This drop is indicative of the overall market with rising interest rates and a more challenging underwriting environment.

Total Capital Invested by Acquirer

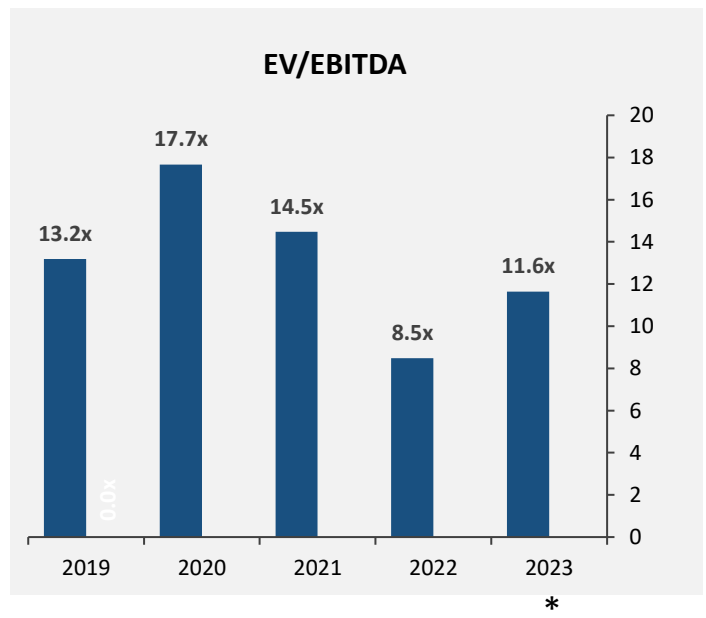
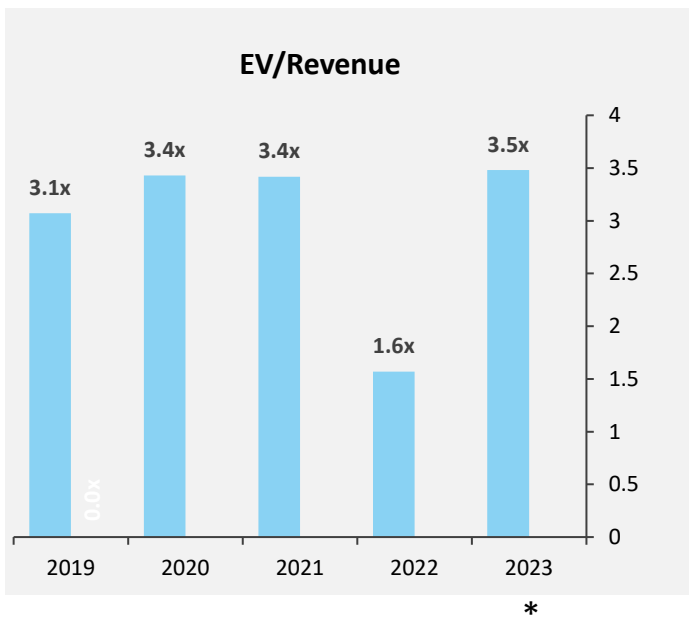


# Valuation Multiples

## PE Multiples



## Strategic Multiples



\* 2023 multiples illustrated exclude the high multiple outlier for both EV/Revenue and EV/EBITDA

# Largest Deals (Disclosed)

Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
31-Mar-2023	Medit	MBK Partners	Buyout/LBO	\$ 1,857.2	8.87x	11.64x	Developer and manufacturer of three-dimensional dental scanners.
29-Mar-2023	Signify Health	CVS Health	Merger/Acquisition	8,000.0	9.35x		Provider of value-based payment programs.
15-Mar-2023	Immucor	Werfen Life Group	Merger/Acquisition	2,000.0			Manufacturer of transfusion and transplantation diagnostic products.
02-Mar-2023	Stoller Group	Corteva Agriscience	Merger/Acquisition	1,200.0	3.00x		Provider of biological research and development solutions.
02-Mar-2023	Albireo	Ipsen Group	Merger/Acquisition	952.0	12.71x		Albireo Pharma Inc is a commercial-stage biopharmaceutical company.
01-Mar-2023	CinCor Pharma	AstraZeneca	Merger/Acquisition	1,800.0			Operator of clinical-stage biopharmaceutical company.
22-Feb-2023	LHC Group	Optum	Merger/Acquisition	5,400.0	2.36x	40.86x	Provider of post-acute health care services.
22-Feb-2023	One Medical	Amazon.com	Merger/Acquisition	3,900.0	3.48x		Provider of a technology-powered primary care platform.
14-Feb-2023	Sono Bello	Alaris Equity Partners	PE Growth/Expansion	725.0			Operator of a chain of aesthetic surgery practices.
08-Feb-2023	Nimbus Lakshmi	Takeda Pharmaceutical	Merger/Acquisition	6,000.0			Developer of drug based in Boston, Massachusetts.
31-Jan-2023	Meridian Bioscience	SD Biosensor	Merger/Acquisition	1,530.0	4.35x	20.12x	Meridian Bioscience Inc is an integrated life science company.
30-Jan-2023	ORPEA	Caisse des Dépôts Group	Buyout/LBO	1,131.6			Operator of a network of long-term, post-acute, and psychiatric facilities.
27-Jan-2023	4Axes	Andera Partners	Buyout/LBO	10.7	3.02x	6.87x	
23-Jan-2023	Magellan Health	Evolent Health	Merger/Acquisition	800.0			Provider of healthcare and specialty benefit management services.
11-Jan-2023	Imago BioSciences	Merck & Co.	Merger/Acquisition	1,350.0			Operator of a clinical-stage biopharmaceutical company.
10-Jan-2023	IVI-RMA Global	Kohlberg Kravis Roberts	Buyout/LBO	3,249.0			Operator of a chain of fertility clinics intended to develop reproductive medicine.
03-Jan-2023	Summit Medical Group	Evernorth Health	Merger/Acquisition	8,900.0			Provider of multi-specialty medical services.
03-Jan-2023	The Binding Site	Thermo Fisher Scientific	Merger/Acquisition	2,734.6	11.27x		Manufacturer of medical diagnostic products focused on the detection of cancers.
03-Jan-2023	PharmaLex	AmerisourceBergen	Merger/Acquisition	1,357.7			Provider of specialized services for the pharma and medical device industries.
Mean				2,784.1	6.49x	19.87x	
Median				1,800.0	4.35x	15.88x	
High				8,900.0	12.71x	40.86x	
Low				10.7	2.36x	6.87x	

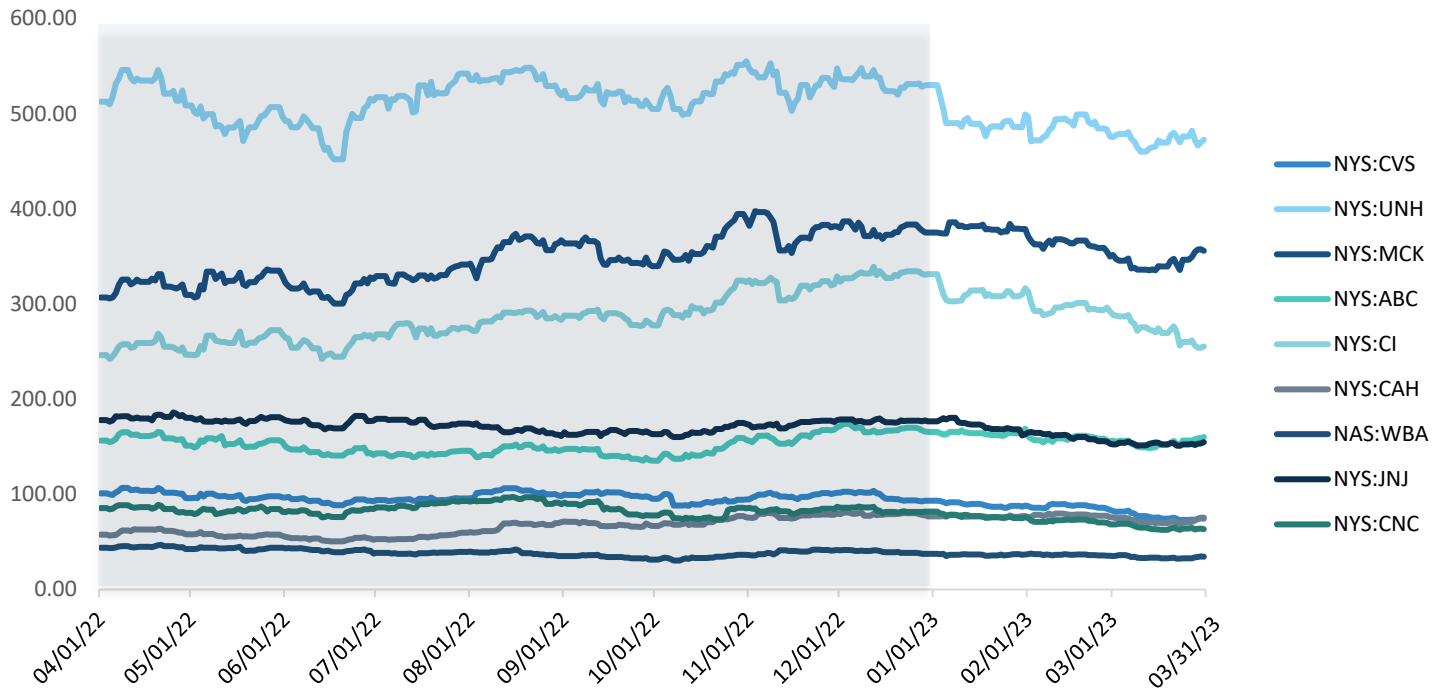
## Leading M&A Deals

Deal	Deal Synopsis	Driver
 	<p>Summit Medical Group, a New Jersey-based provider of multi-specialty medical services, was acquired by VillageMD and Evernorth Health for \$8.9 billion in January 2023. The acquisition adds complementary capabilities to VillageMD's platform including primary, specialty and urgent care services.</p>	<p><b>Merger/ Acquisition</b></p>
 	<p>Signify Health, a Texas-based provider of value-based payment programs, was acquired by CVS Health for \$8.0 billion in March 2023. This acquisition will enhance CVS Health's connection to consumers in the home and will enable providers to better address patient needs in a multi-payor approach.</p>	<p><b>Merger/ Acquisition</b></p>
 	<p>Nimbus Lakshmi, a subsidiary of Nimbus Therapeutics based in Boston, Massachusetts, was acquired by Takeda Pharmaceuticals for \$6.0 billion in February 2023. This acquisition strengthens Takeda's growing late-stage pipeline and expands its portfolio across multiple indications.</p>	<p><b>Merger/ Acquisition</b></p>
 	<p>LHC Group is a Louisiana-based provider of post-acute healthcare services to patients including home nursing, hospice and long-term acute care services. The company was acquired by Optum, a subsidiary of UnitedHealth Group, for \$5.4 billion in February 2023, bringing Optum further into the care provider space.</p>	<p><b>Merger/ Acquisition</b></p>



# Public Comps

## Stock Price

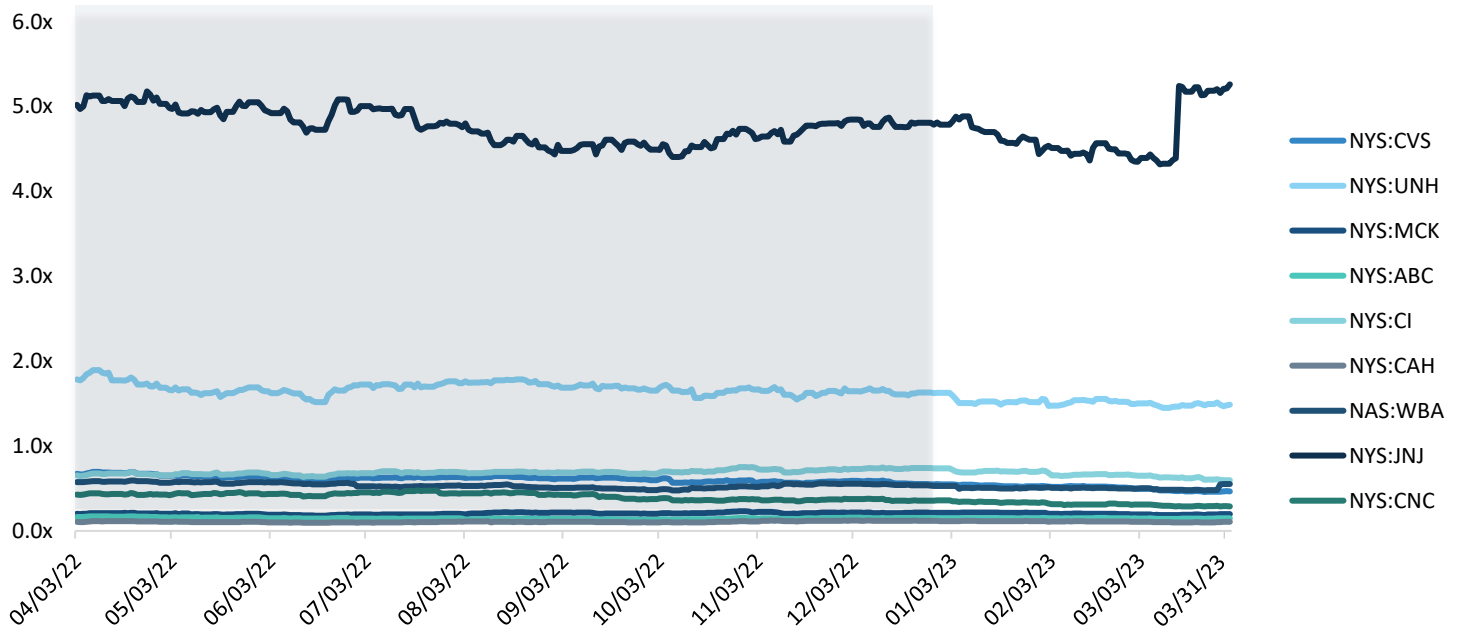


## Financial & Valuation

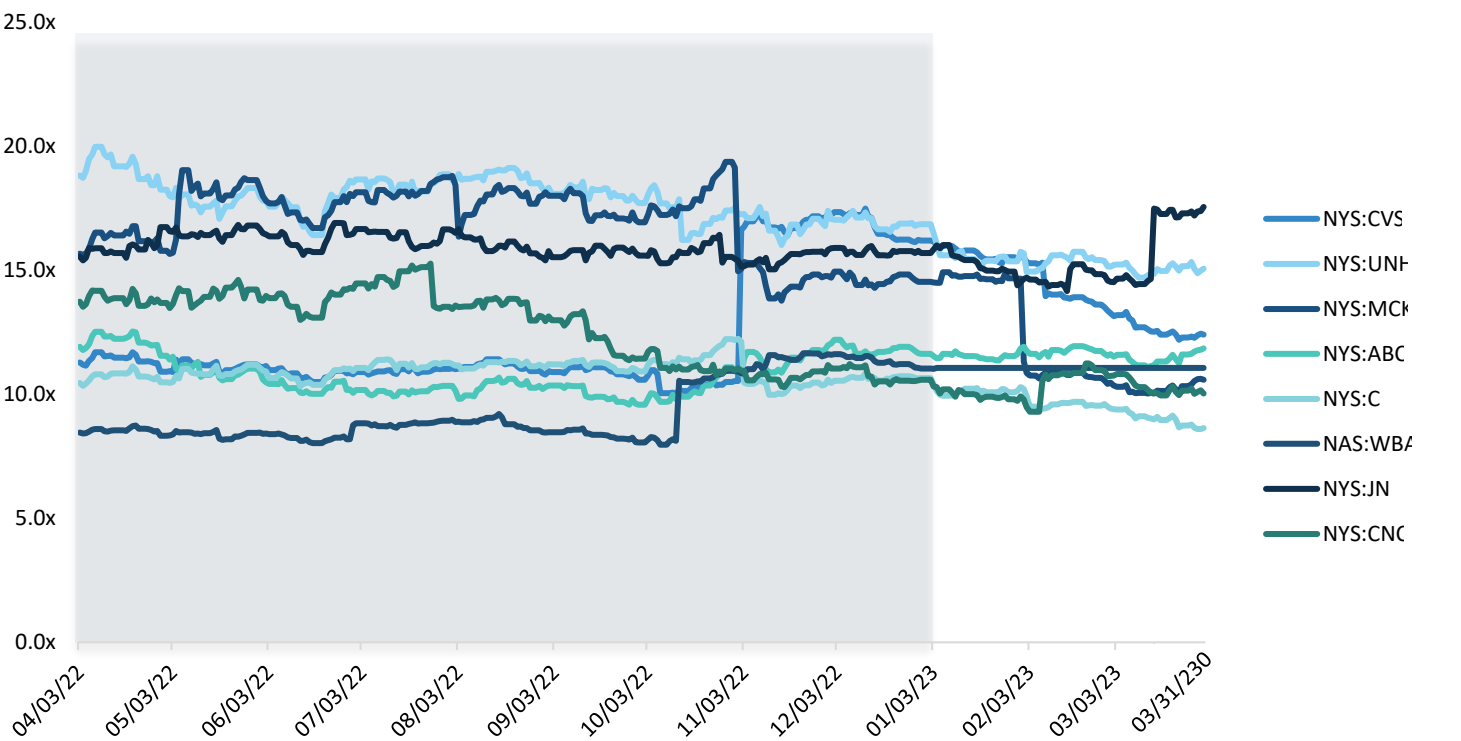
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			Gross Margin			EBITDA Margin		
						21A	22A	23A	21A	22A	23A	21A	22A	23A	21A	22A	23A	21A	22A	23A
CVS Health	NYS:CVS	74	95,422	70,732	0.7x	0.6x	0.5x	11.8x	16.4x	871%	7%	11%	4%	18%	17%	17%	6%	3%	6%	
UnitedHealth Group	NYS:UNH	473	440,854	57,623	1.8x	1.6x	1.4x	19.9x	16.5x	1395%	10%	13%	12%	24%	24%	26%	9%	10%	10%	
McKesson	NYS:MCK	356	48,757	8,175	0.2x	0.2x	0.2x	N/A	14.5x	1114%	7%	8%	4%	5%	5%	5%	-2%	1%	2%	
AmerisourceBergen	NYS:ABC	160	32,384	5,644	0.2x	0.2x	0.1x	11.1x	11.7x	964%	13%	11%	4%	3%	3%	4%	1%	1%	2%	
Cigna	NYS:CI	256	75,901	37,973	0.7x	0.7x	0.7x	7.6x	10.6x	1265%	9%	6%	5%	N/A	N/A	11%	9%	7%	6%	
Cardinal Health	NYS:CAH	76	19,452	5,262	0.1x	0.1x	0.1x	7.8x	N/A	951%	8%	12%	11%	4%	3%	3%	1%	0%	1%	
Walgreens Boots Alliance	NAS:WBA	35	29,835	37,578	0.6x	0.5x	0.5x	16.0x	11.3x	1230%	9%	0%	2%	21%	21%	22%	4%	5%	5%	
Johnson & Johnson	NYS:JNJ	155	483,576	39,659	5.0x	4.8x	4.7x	16.6x	15.6x	1360%	13%	5%	3%	68%	67%	73%	30%	31%	N/A	
Centene	NYS:CNC	63	34,810	21,333	0.5x	0.4x	0.4x	17.7x	10.4x	926%	20%	16%	-3%	11%	12%	17%	3%	3%	4%	
<b>Mean</b>						<b>1.1x</b>	<b>1.0x</b>	<b>1.0x</b>	<b>13.6x</b>	<b>13.4x</b>	<b>1119.7%</b>	<b>10.6%</b>	<b>9.1%</b>	<b>4.7%</b>	<b>19.2%</b>	<b>19.1%</b>	<b>19.7%</b>	<b>6.8%</b>	<b>6.8%</b>	<b>4.5%</b>
<b>Median</b>						<b>0.6x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>13.9x</b>	<b>13.1x</b>	<b>1114.2%</b>	<b>8.6%</b>	<b>10.6%</b>	<b>4.2%</b>	<b>14.5%</b>	<b>14.4%</b>	<b>16.9%</b>	<b>3.7%</b>	<b>3.4%</b>	<b>4.3%</b>

# Public Comps

## EV/Revenue



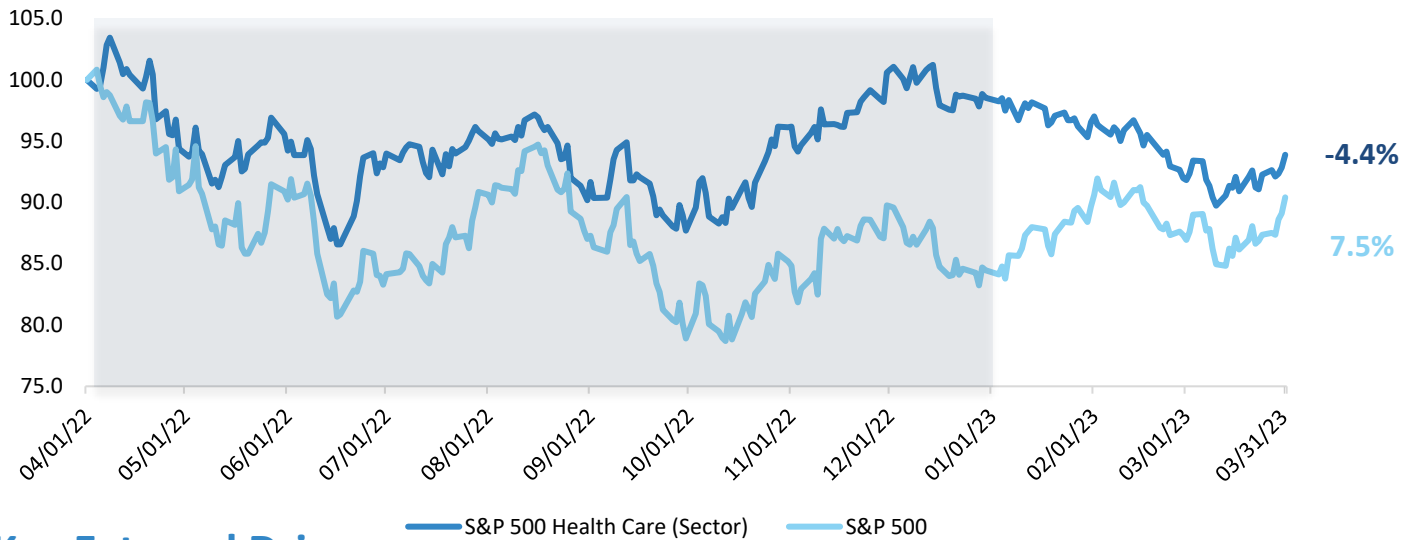
## EV/EBITDA



# Public Markets

## Index Performance

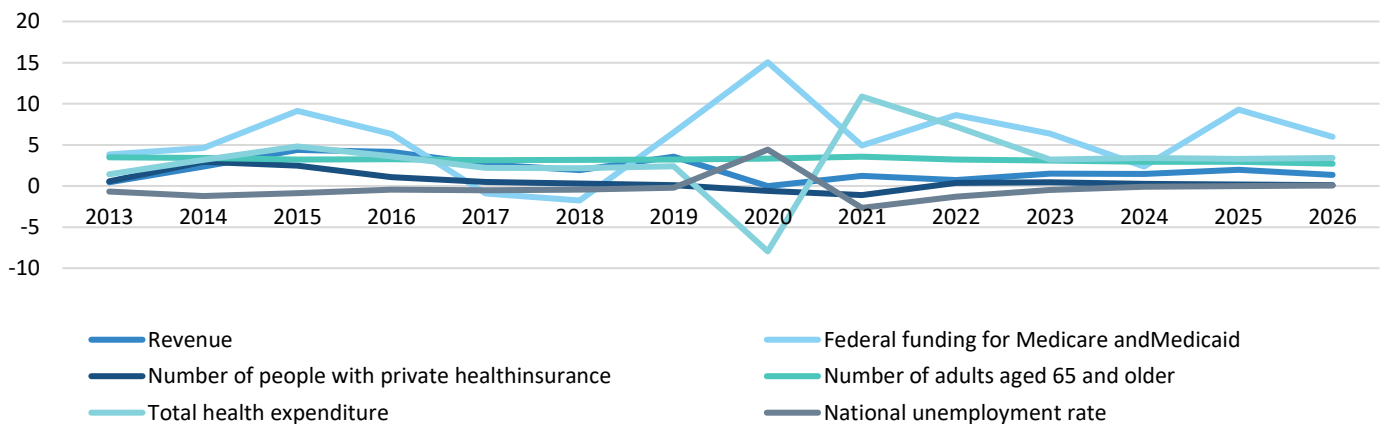
In Q1, 2023, the S&P 500 Healthcare Index decreased 4.4% and was significantly outperformed by the S&P 500, which increased 7.5% over the same period.



## Key External Drivers

Overall, the Healthcare industry tends to be more stable and resistant to volatility in the broader economy than other industries. March 2023 CPI inflation came out at 5.0% marking the ninth consecutive month of declining inflation. To combat the rapid inflation in the U.S. CPI, the federal reserve has been quantitative tightening, in the form of rate hikes to the Fed Fund Rate, to slow down consumer spending. As a result of the Fed’s rate hikes, the United States economy will likely enter into a recession sometime during the second half of 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.



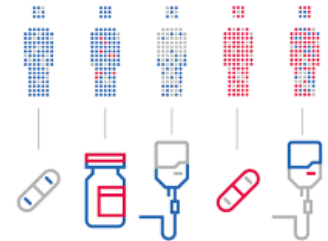
Source: IBISWorld, S&P Global

# Industry Trends

## Artificial Intelligence

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

The market for Artificial intelligence (AI) – specifically, machine learning (ML) tools in healthcare is forecast to top \$20 billion in 2023. Various AI-aligned technologies, such as computer vision, natural language processing, and pattern recognition algorithms, are already deeply embedded in the healthcare ecosystem and will continue to be adopted as evidence of their usefulness grows throughout 2023.



## Internet of Medical Things

### Wearable Medical Devices

Wearable devices will be increasingly used by individuals during 2023 to track their health and exercise activity, as well as by clinicians to monitor patients remotely. The "Internet of Medical Things" has rapidly expanded in recent years from simple devices designed to track vital signs such as heart rate and blood oxygen levels to smart watches.



## Retail Healthcare

### Convenient Healthcare

The amount of healthcare business conducted through retail outlets is forecasted to double during 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 doctors' practices.



## 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.



# 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.



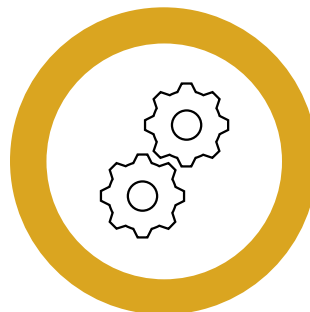
## Buy-Side Advisory: Buy a business

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.

 <p>Has sold substantially all of its assets to</p> <p><i>Bain Capital Ventures</i></p> 	 <p>Has been acquired by</p>  	 <p>Has been acquired by</p>  
 <p>Has sold substantially all of its assets to</p>  	 <p>Has been recapitalized by</p> <p>Frontenac</p> 	 <p>Has been acquired by</p>  

## 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**

Marketing

(314) 721-0607 x 104

lhulett@rlhulett.com

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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