



Healthcare M&A Update

Q2 2023

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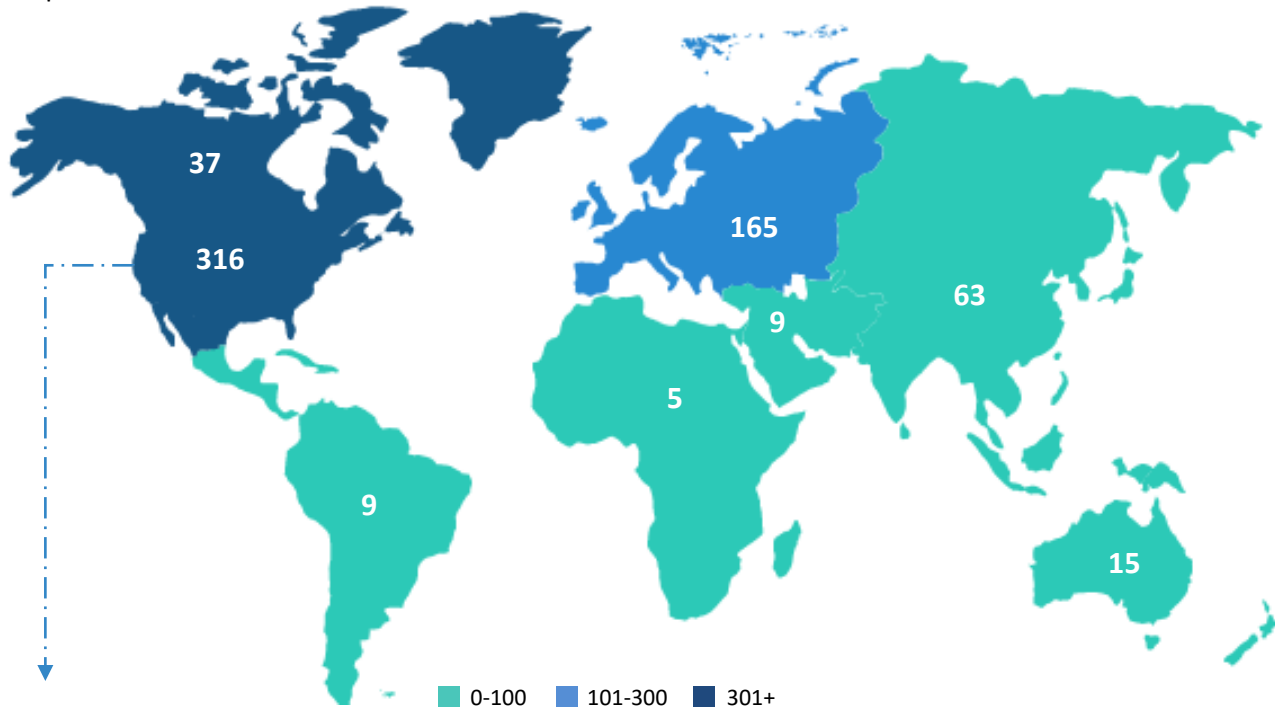
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REPORT HIGHLIGHTS

- The S&P 500 Healthcare index decreased 0.3% in Q2 and was outperformed by the S&P 500 index, which increased 6.1% in the same period.
- The median EV/EBITDA multiple for reported private equity deals decreased to 9.3x in 1H 2023 from 15.6x in 2022, but increased for strategic deals to 17.2x from 8.5x over the same period.
- M&A deal volume in the healthcare sector was down 24.3% to 619 completed transactions in Q2 compared to 818 deals in Q1, and 20.6% from 780 deals in Q2 of the prior year.
- As a % of total capital invested in M&A transactions in 1H 2023, PE participation decreased significantly to 20.7%, down from 35.2% in 2022.
- North America was the most active region in Q2 with 353 deals. Most notably in the North American market was Merck's \$10.8 billion acquisition of Prometheus Biosciences in June 2023.

Global Deal Analytics

Of the 619 deals in Q2, North America was the most active market with 353 deals closed. Europe was the second most active region with 165. One of the more notable deals in Europe during Q2 was BNP Paribas' \$1.5 billion acquisition of Amryt Pharma, a U.K.-based specialty pharmaceutical company, in April 2023. All other regions combined for a total of 101 completed transactions.



Canada: 37

United States Regions: 316

Mid Atlantic: 68

West Coast: 67

Southeast: 66

Great Lakes: 29

South: 29

Other: 57

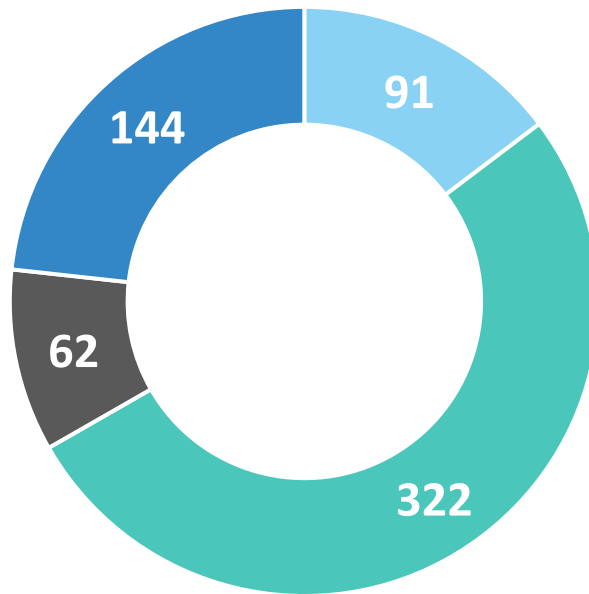
In the United States market, the Mid Atlantic region was the most active with 68 closed deals. Another notable deal in the United States (in addition to Merck's acquisition of Prometheus Biosciences mentioned on the previous page) was CVS Health's \$10.6 billion acquisition of Oak Street Health, a manager of a network of primary care centers, in May 2023. The West Coast and Southeast were the second and third most active regions with 67 and 66 closed deals, respectively. The Great Lakes and Southern region each had 29 deals close and all other regions in the U.S. totaled 57 closed transactions in Q2.

Outside of the U.S. in the North American market, 37 transactions closed in Canada.

Global Deal Analytics

Of the 619 Healthcare deals in Q2, 321 were in the Healthcare Services subsector, making it the most active subsector in the industry from an M&A volume standpoint. Pharmaceuticals & Biotechnology was the second most active with 144 deals followed by Healthcare Devices & Supplies and Healthcare Technology Systems with 91 and 62 closed transactions, respectively.

Deals by Subsector



Healthcare Devices & Supplies

Healthcare Services

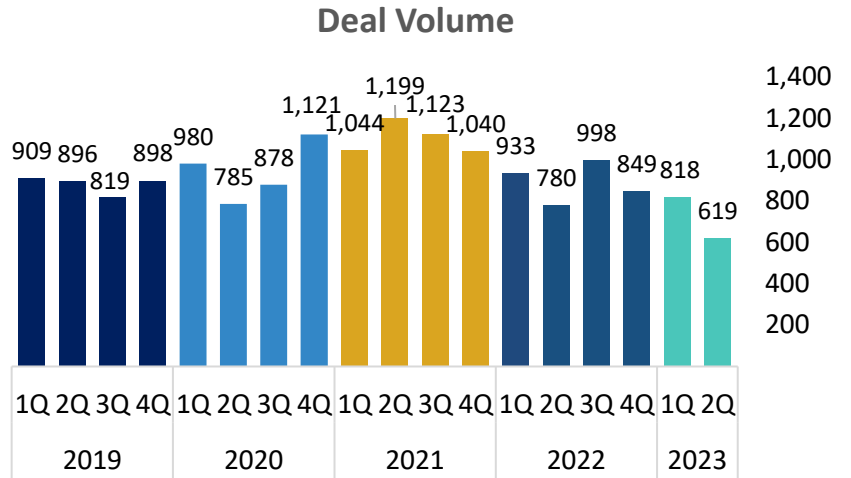
Healthcare Technology Systems

Pharmaceuticals & Biotechnology

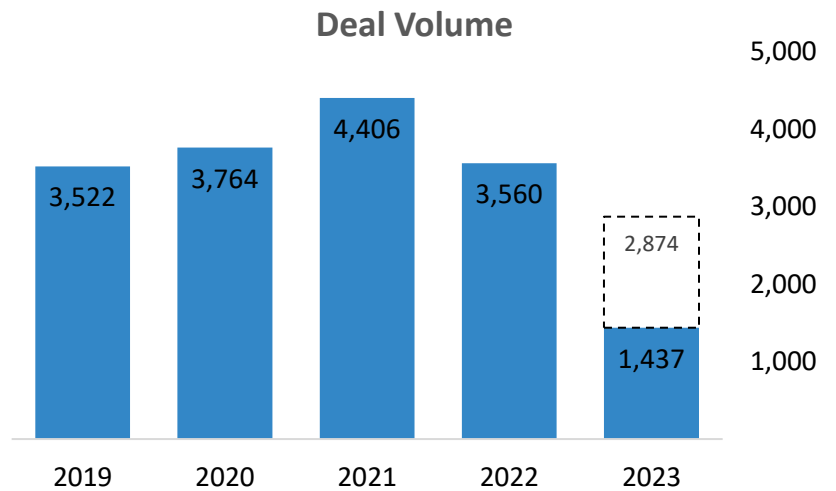


Global Deal Analytics

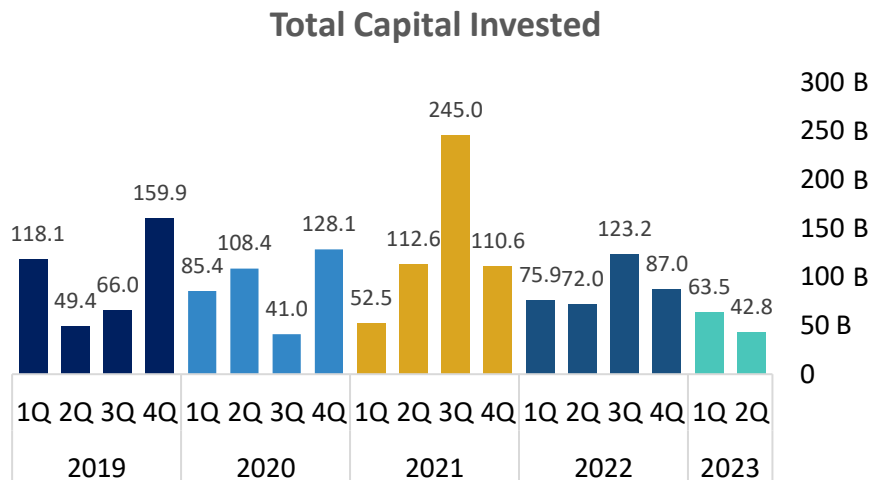
Deal volume in the Healthcare sector decreased 24.3% in Q2 to 619 deals from 818 deals in Q1 and decreased 20.6% from 780 deals in Q2 of the prior year. Deal volume in Q2 represented the lowest level the last 5 years.



Based on 1H 2023, M&A deal volume is projected to see a 19.3% decline to 2,874 deals in 2023, down from 3,560 in 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 input costs.



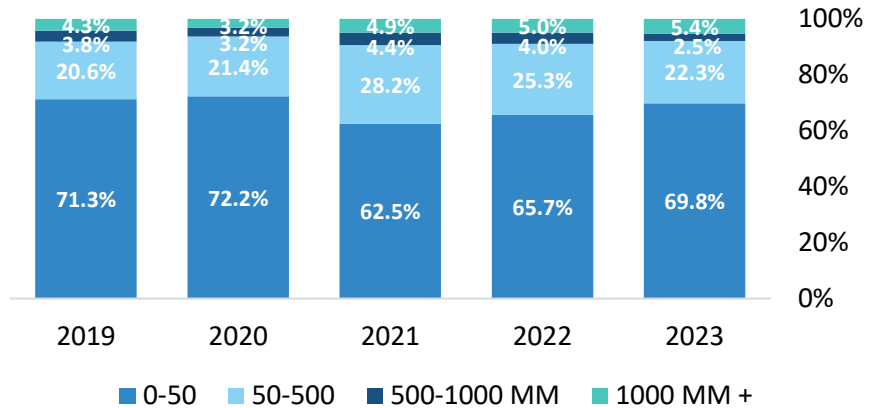
Total capital invested in M&A deals in the Healthcare sector decreased 32.6% in Q2 to \$42.8B from \$63.5B in Q1, and 40.6% from \$72.0B in the same period of the prior year. This drop from the prior quarter is due to significantly lower volume in Q2 coupled with a shift in mix toward smaller deals.



Global Deal Analytics

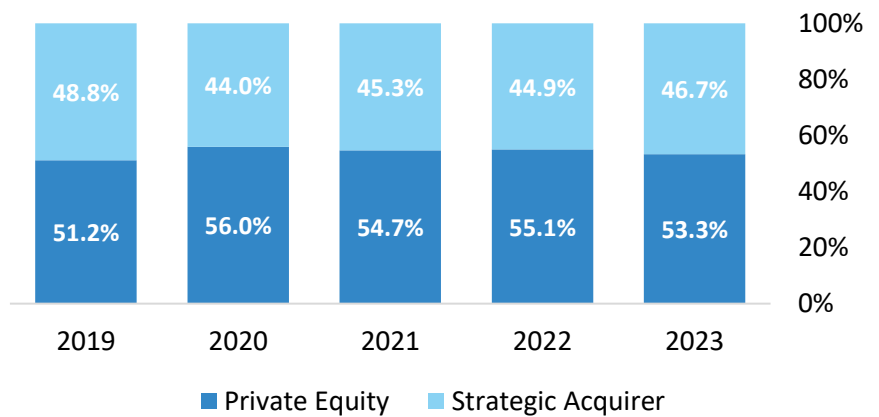
In 1H 2023, we saw a shift in mix toward smaller deals with the lower middle tranche of the market (\$0-\$50MM) increasing to 69.8% of deal volume from 65.7% in 2022. The large cap market (\$1000MM+) ticked up slightly to 5.4% from 5.0% in 2022 while the upper middle (\$500-\$1000MM) and middle (\$50-\$500MM) tranches of the market both saw slight declines from the prior year.

Deal Volume by Deal Size



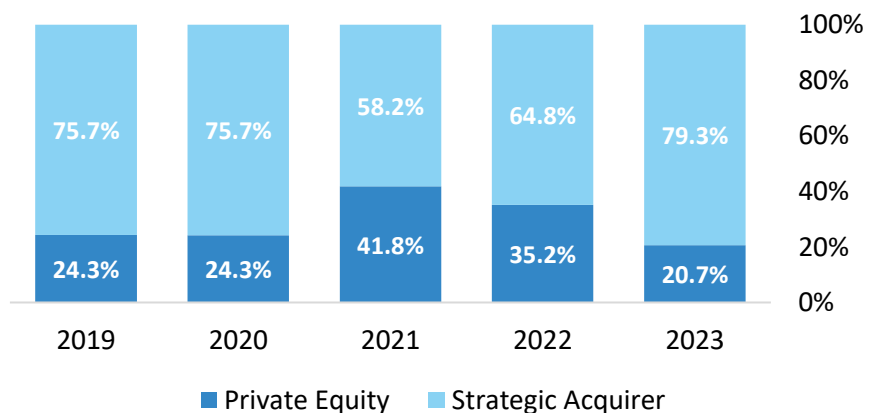
PE participation, as a % of overall deal volume, decreased slightly in 1H 2023 to 53.3% from 55.1% in 2022. The lower level of PE participation is illustrative of changing market dynamics with increasing costs of capital and tightening liquidity from lenders, allowing strategic buyers to compete more effectively with synergies to factor into underwriting processes and balance sheets with additional borrowing capacity.

Deal Volume by Acquirer



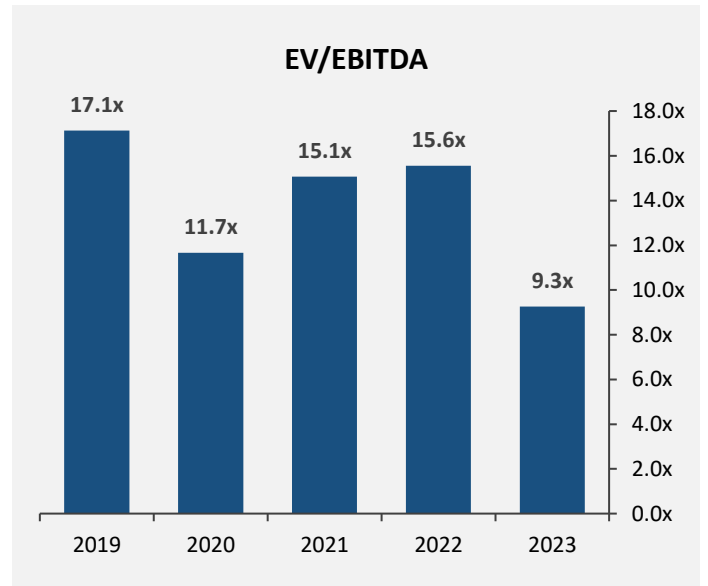
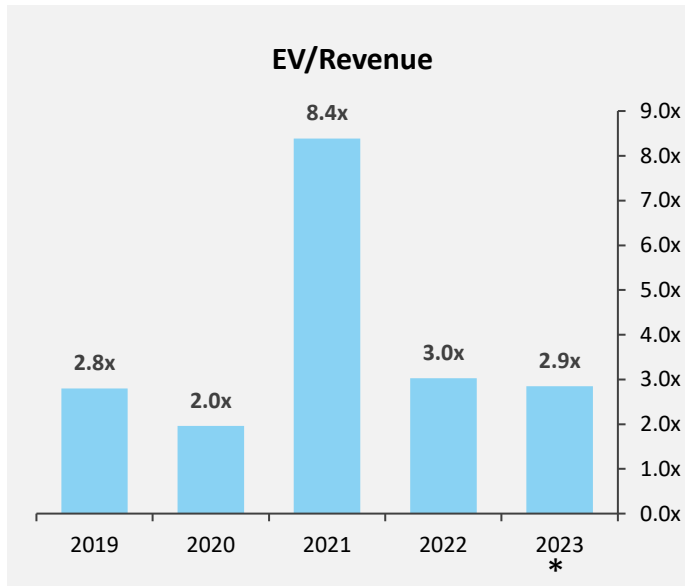
Continuing the trend in deal volume, the PE share of total capital invested in M&A deals declined significantly in 1H 2023 to 20.7%, down from 35.2% in 2022. PE's share of deal volume in 1H represents the lowest share in five years. This drop is indicative of the overall market with rising interest rates and a more challenging underwriting environment.

Total Capital Invested by Acquirer

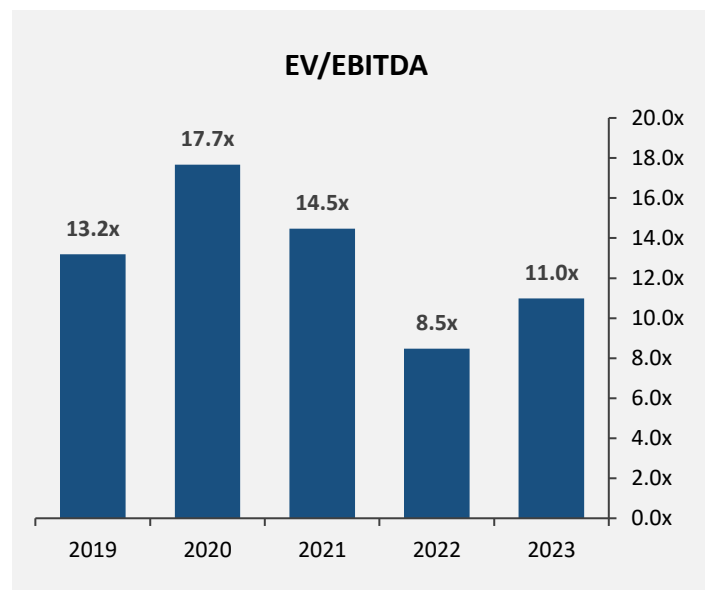
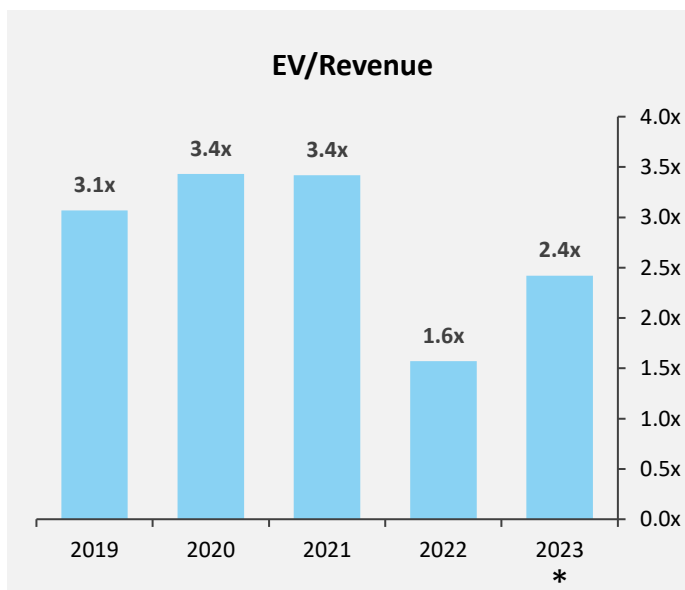


Valuation Multiples

Private Equity Multiples



Strategic Multiples



* Both 2023 EV/Revenue multiples illustrated exclude the high multiple outlier

Largest Deals (Disclosed)

Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
24-Jun-2023	CTI BioPharma	Swedish Orphan Biovitrum	Merger/Acquisition	\$ 1,700.0	21.66x		Developer of cancer therapies.
22-Jun-2023	Haystack Oncology	Quest Diagnostics	Merger/Acquisition	300.0			Developer of a liquid biopsy diagnostic technology.
18-Jun-2023	Prometheus Biosciences	Merck & Co.	Merger/Acquisition	10,800.0	2,524.74x		Developer of products for the treatment and diagnosis of IBD. *
14-Jun-2023	Heska	Mars	Merger/Acquisition	1,500.0	5.39x		Developer and manufacturer of veterinary products.
13-Jun-2023	Apixio	New Mountain Capital	Buyout/LBO	300.0			Developer of an AI platform designed to transform actionable information from healthcare data.
09-Jun-2023	OneOncology	AmerisourceBergen	Buyout/LBO	2,100.0			Operator of a hospital and clinical network.
05-Jun-2023	Avrio Health	Arcadia Consumer Healthcare	Buyout/LBO	397.0			Developer and manufacturer of consumer health products.
25-May-2023	DSM Firmenich	Not Reported	PIPE	802.6			Provider of nutrition solutions ranging from animal feed to medical and early-life nutrition.
15-May-2023	U.S. Renal Care	Bain Capital	PE Growth/Expansion	328.0			Operator of dialysis centers intended for patients suffering from kidney disease.
02-May-2023	Cerus Endovascular	Stryker	Merger/Acquisition	525.0			Developer of interventional neuroradiology devices.
02-May-2023	Oak Street Health	CVS Health	Merger/Acquisition	10,600.0	4.71x		Provider of a network of primary care centers for adults on Medicare.
27-Apr-2023	Cardiovascular Systems	Abbott	Merger/Acquisition	890.0	3.16x		Developer of medical technologies for patients with peripheral and coronary artery diseases.
27-Apr-2023	Provention Bio	Sanofi	Merger/Acquisition	2,900.0	212.10x		Developer of clinical-stage biopharmaceutical products.
24-Apr-2023	DASA (Laboratory Services (Healthcare))	Not Reported	PIPE	2,070.2			Provider of medical diagnostics. *
20-Apr-2023	Apollo Endosurgery	Boston Scientific	Merger/Acquisition	640.0	7.59x	1.85x	Developer of medical technologies for advance gastrointestinal therapeutic endoscopy.
20-Apr-2023	Hasten Biopharma	CBC Group	PE Growth/Expansion	315.0			Developer of drugs designed for chronic diseases and geriatric-related diseases.
19-Apr-2023	Sangon Biotech	CDB Venture	PE Growth/Expansion	290.8			Provider of life science research services.
12-Apr-2023	Amryt Pharma	Chiesi Farmaceutici	Merger/Acquisition	1,480.0		16.75x	Provider of specialty pharmaceuticals. **
Mean				2,107.7	8.50x	1.85x	
Median				846.3	5.39x	9.30x	
High				10,800.0	2524.74x	16.75x	
Low				290.8	3.16x	1.85x	

* Excludes outliers in EV/revenue mean and median calculations.

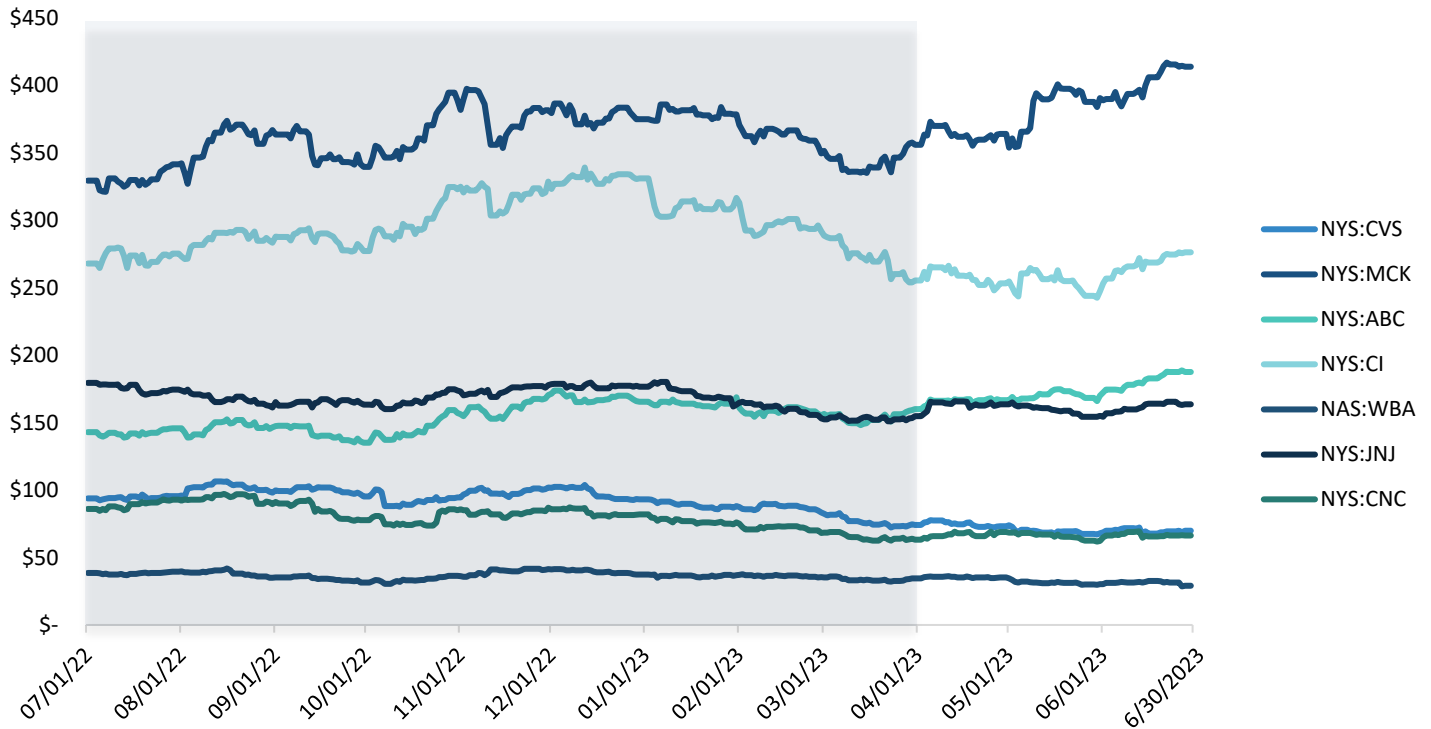
** EV/EBITDA calculations are based on current company EBITDA.

Leading M&A Deals

Deal	Deal Synopsis	Driver
 	<p>Oak Street Health, an Illinois-based network of primary care providers, was acquired by CVS Health for \$10.6 billion in May 2023. This acquisition will allow CVS Health to add a premier, value-based primary care solution to its portfolio.</p>	<p>Merger/ Acquisition</p>
 	<p>Provention Bio, a New Jersey-based clinical-stage biopharmaceutical company, was acquired by Sanofi for \$2.9 billion in April 2023. This acquisition adds a treatment for type 1 diabetes called TZIELD to Sanofi's portfolio along with solutions to intercept and prevent immune-mediated disease.</p>	<p>Merger/ Acquisition</p>
 	<p>OneOncology, a Tennessee-based operator of a hospital and clinical network, was acquired by AmerisourceBergen through a \$2.1 billion LBO in June 2023. This acquisition will enable AmerisourceBergen to diversify beyond its drug distribution business by expanding into the oncology space.</p>	<p>LBO</p>
 	<p>Amryt Pharma is a UK-based specialty pharmaceutical company that develops new treatments to patients with rare diseases. The company was acquired by Chiesi Farmaceutici for \$1.5 billion in April 2023. This acquisition expands Chiesi Farmaceutici's rare disease portfolio, leveraging Amryt's patient-centric model to better address the needs of clients.</p>	<p>Merger/ Acquisition</p>

Public Comps

Stock Price

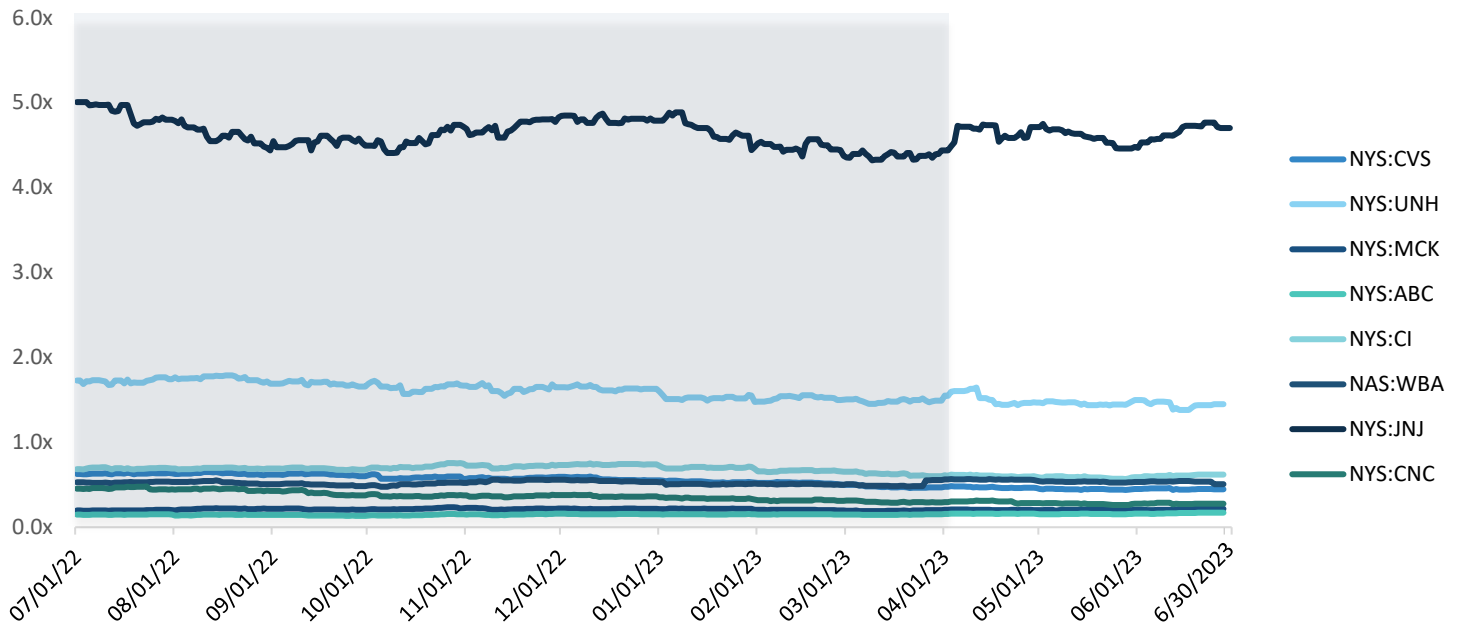


Financial & Valuation

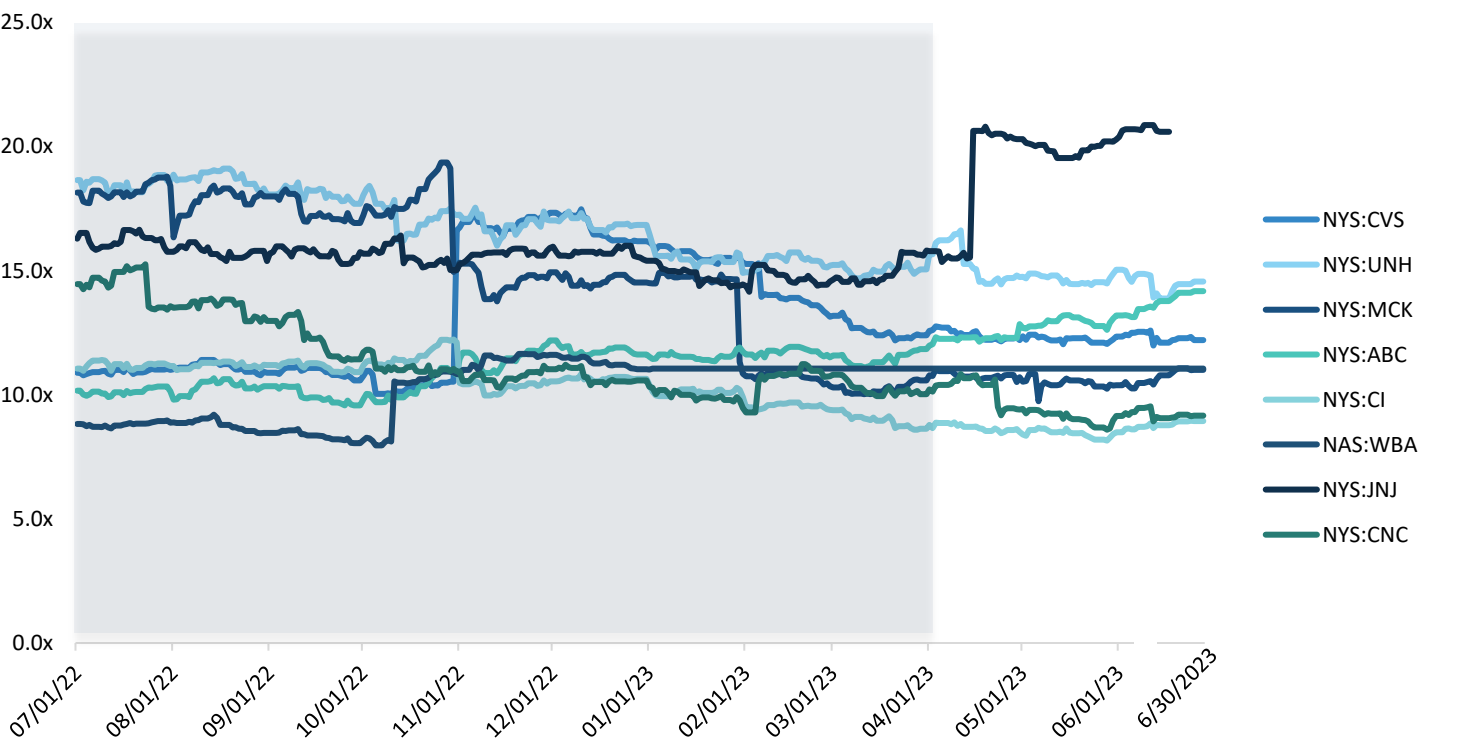
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			EBITDA Margin					
						21A	22A	23F	21A	22A	23F	21A	22A	23F	21A	22A	23F			
	CVS Health	NYS:CVS	70	88,049	76,478	0.7x	0.6x	0.5x	11.8x	16.4x	871%	7%	11%	5%	18%	17%	16%	6%	3%	6%
	UnitedHealth Group	NYS:UNH	479	449,279	70,588	1.8x	1.6x	1.4x	19.9x	16.5x	1395%	10%	13%	9%	24%	24%	25%	9%	10%	10%
	McKesson	NYS:MCK	414	56,201	7,295	0.2x	0.2x	0.2x	N/A	14.5x	1114%	7%	8%	6%	5%	5%	4%	-2%	1%	2%
	AmerisourceBergen	NYS:ABC	188	38,183	4,933	0.2x	0.2x	0.1x	11.1x	11.7x	964%	13%	11%	9%	3%	3%	3%	1%	1%	1%
	Cigna	NYS:CI	276	81,602	39,375	0.7x	0.7x	0.7x	7.6x	10.6x	1265%	9%	6%	3%	N/A	N/A	11%	9%	7%	6%
	Cardinal Health	NYS:CAH	92	23,701	4,734	0.1x	0.1x	0.1x	7.8x	N/A	951%	8%	12%	12%	4%	3%	3%	1%	0%	1%
	Walgreens Boots Alliance	NAS:WBA	29	24,724	36,439	0.6x	0.5x	0.5x	16.0x	11.3x	1230%	9%	0%	5%	21%	21%	20%	4%	5%	4%
	Johnson & Johnson	NYS:JNJ	164	424,347	52,907	N/A	4.8x	4.7x	N/A	15.6x	1360%	13%	5%	3%	68%	67%	72%	30%	31%	32%
	Centene	NYS:CNC	66	36,515	21,641	0.5x	0.4x	0.4x	17.7x	10.4x	926%	20%	16%	0%	11%	12%	32%	3%	3%	4%
	Mean					0.6x	1.0x	1.0x	13.1x	13.4x	1119.7%	10.6%	9.1%	6.0%	19.2%	19.1%	20.9%	6.8%	6.8%	7.4%
	Median					0.5x	0.5x	0.5x	11.8x	13.1x	1114.2%	8.6%	10.6%	5.4%	14.5%	14.4%	16.2%	3.7%	3.4%	4.0%

Public Comps

EV/Revenue



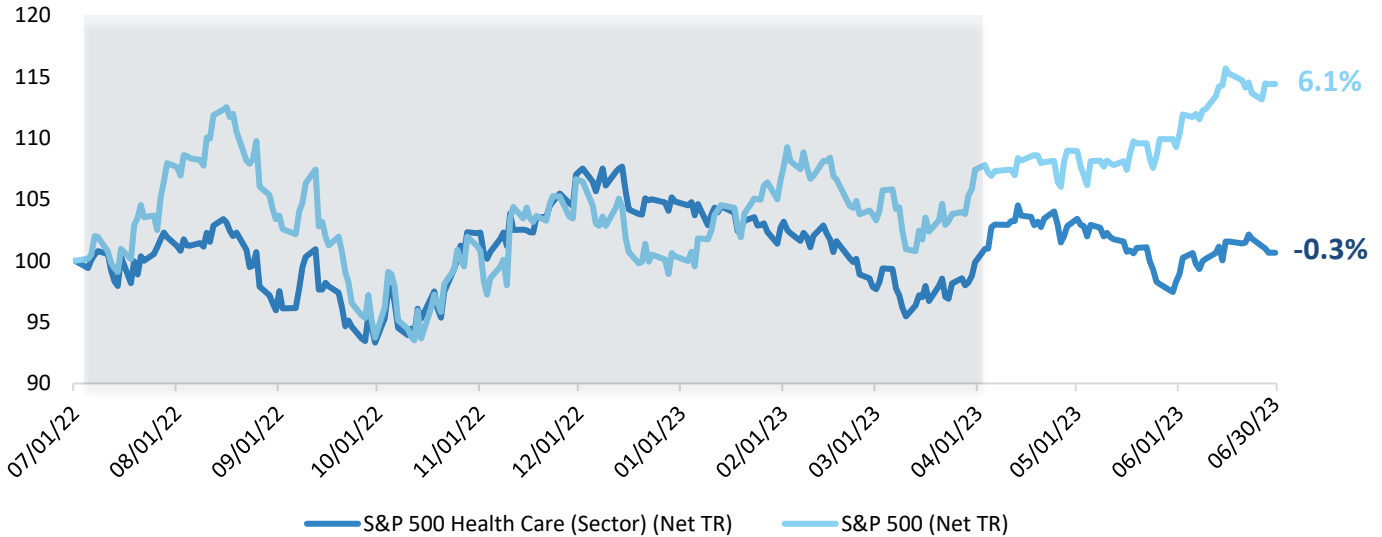
EV/EBITDA



Public Markets

Index Performance

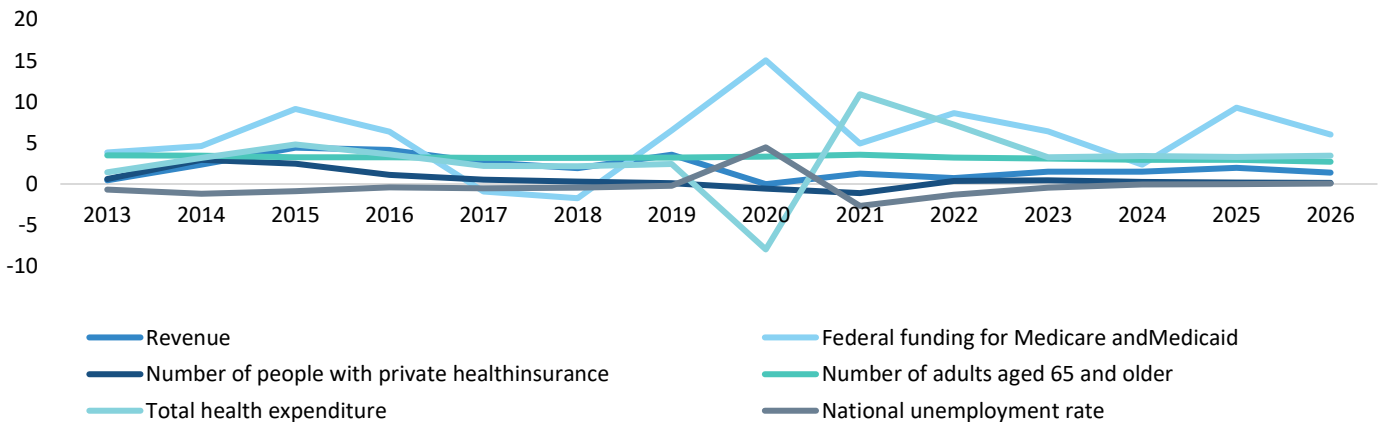
In Q2, the S&P 500 Healthcare Index decreased 0.3% and was outperformed by the S&P 500, which increased 6.1% over the same period.



Key External Drivers

Lower consumer spending directly reduces the number of goods and services that healthcare companies need to produce. Therefore, when spending decreases, revenue tends to follow.

To combat Inflation in the US, the Federal Reserve (“Fed”) began quantitative tightening in March 2022 in the form of 10 rate hikes to the Fed Funds Rate, to slow down consumer spending. As a result of the Fed’s rate hikes, May 2023 CPI inflation came out at 4.0% marking the eleventh consecutive month of declining inflation. While these rate hikes have caused inflation to slow down, the Chair of the Federal Reserve, Jerome Powell, stated they intend to raise rates two more times in 2023. Many economists do not believe the Fed will go through with the two 25 basis point hikes that Jerome Powell threatened. However, the stubborn inflation, a still-booming job market and a resilient economy indicate the Fed may raise rates to the highest levels seen over the last 2 decades. Continued rate hikes will lower consumer spending and result in lower revenues for the healthcare sector.



Industry Trends

Preventative Healthcare

AI to Make Preventive Healthcare Possible

Artificial intelligence (AI) is enabling preventive healthcare by using advanced algorithms and data analysis to identify health risks and intervene proactively. By analyzing patient data, AI improves early diagnosis, personalized treatment plans, and targeted interventions. Companies, such as Google Health, are developing algorithms to predict and detect conditions such as skin disease or blindness.



Emphasis on Cybersecurity

Zero Trust Strengthening Healthcare Networks

Cybersecurity attacks were up 22% in 1H 2023 compared to the same period last year and are expected to continue to increase. Old systems and gaps in security protocols make the Healthcare industry an attractive target for cybercriminals. To combat this, many healthcare providers are investing in new IT infrastructure and a zero-trust model that focuses on continuous verification, network segmentation, endpoint protection, and real-time threat detection to safeguard patient data and critical infrastructure.



Data Access

Improving Access to Healthcare Data

Improving access to health data is a key trend in 2023, allowing healthcare providers to deliver personalized care based on individual preferences and needs. By centralizing data through platforms like the National Directory of Health Care Providers and Services, providers will enhance personalized medicine, support value-based care models, and enable accurate risk adjustment and quality evaluation methods.



Growth in Telehealth

Remote Care Continues to Grow in Popularity

The COVID-19 pandemic accelerated the adoption of remote care and telehealth through messaging and live video chats. Telehealth is expected to continue growing, driven by increased adoption, the emergence of new wearable devices, and a shift towards decentralized healthcare. This trend brings benefits like improved patient engagement, decreased costs, and enhanced efficiency in healthcare delivery.



Our Service Offerings



Sell-Side Advisory: Sell your business

Sell your business for the highest price and 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.



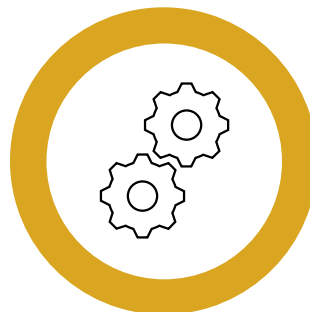
Buy-Side Advisory: Buy a business

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. Below are several relevant transactions in the Healthcare sector. Please note that this list is not comprehensive.

 <p>Has sold substantially all of its assets to</p> <p>Bain Capital <i>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 acquired</p>  

Our Team



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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.

Our Team



Ron Litton
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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.



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 Team



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Ryan provides analytical support for senior-level deal managers and, as a senior analyst, supervises the preparation of confidential memorandums, financial models and industry research reports. Ryan graduated with a Bachelor of Science degree 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.



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Charlie provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. He graduated with a Bachelor of Science in Business Administration Degree with a major in finance and banking from the Trulaske College of Business, University of Missouri. Prior to joining the firm, Charlie worked as an investment analyst for the University of Missouri's Investment Fund Management Program. During his time at the University of Missouri, Charlie was elected as Recruitment Chairman for the Phi Delta Theta Fraternity and took extensive courses in Banking.



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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

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