



Healthcare M&A Update

Q3 2023

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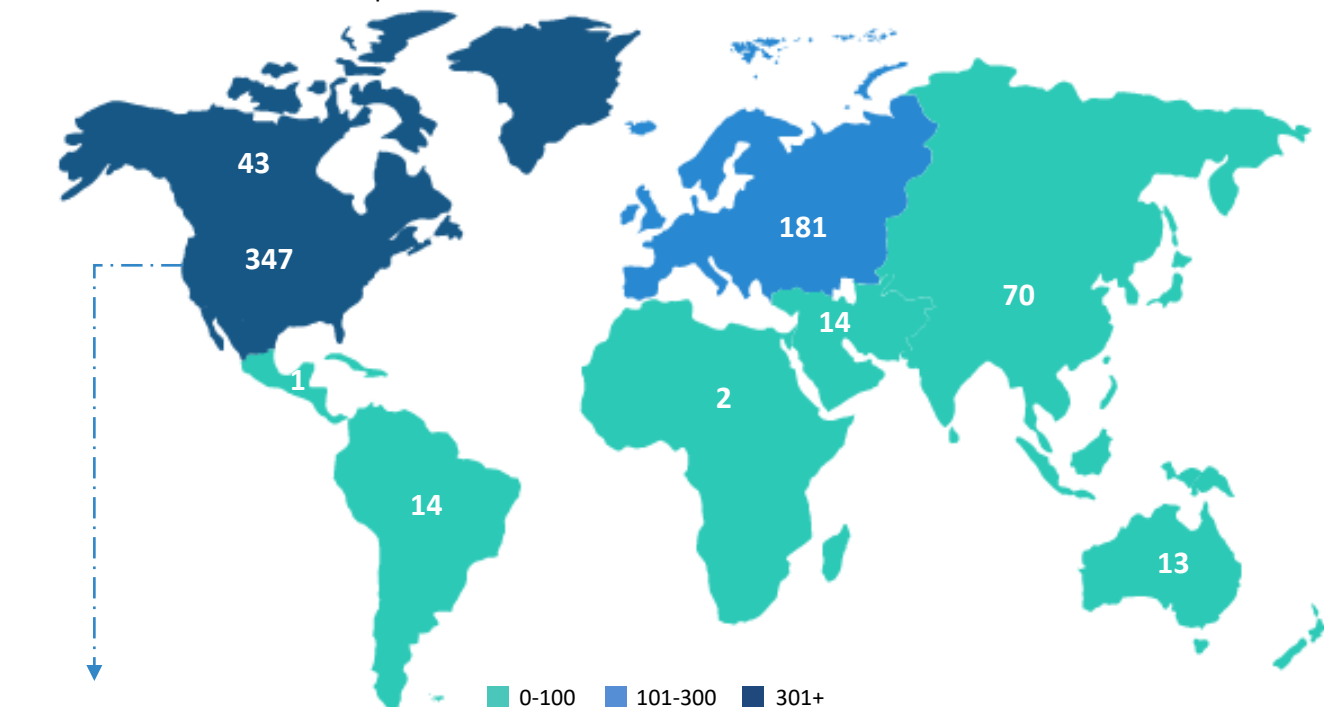
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REPORT HIGHLIGHTS

- The S&P 500 Healthcare Index decreased by 2.3% in Q3 and outperformed the S&P 500, which fell 3.8% over the same period.
- The median EV/EBITDA multiple for reported private equity deals decreased to 13.6x in YTD 2023 from 15.6x in 2022, but increased for strategic deals to 17.7x from 8.5x over the same period.
- M&A deal volume in the Healthcare sector increased 10.7% to 685 completed transactions in Q3 compared to 619 deals in Q2 but decreased 31.4% from 998 deals in Q3 of the prior year.
- As a % of total capital invested in M&A transactions in YTD 2023, PE participation decreased significantly to 23.0%, down from 35.2% in the prior year.
- North America was the most active region in Q3 with 390 deals. Most notably in the North American market was Biogen's \$7.3 billion acquisition of Reata Pharmaceuticals in September 2023.

Global Deal Analytics

Of the 685 deals in Q3, North America was the most active market with 390 deals closed. Europe was the second most active region with 181. One of the more notable deals in Europe during Q3 was Sartorius' \$2.6 billion acquisition of Polyplus-transfection, a French-based developer of gene and cell therapy technologies, in July 2023. All other regions combined for a total of 114 completed transactions.



Canada: 43

United States Regions: 347

Mid Atlantic: 69

West Coast: 65

Southeast: 64

Great Lakes: 37

South: 37

Other: 75

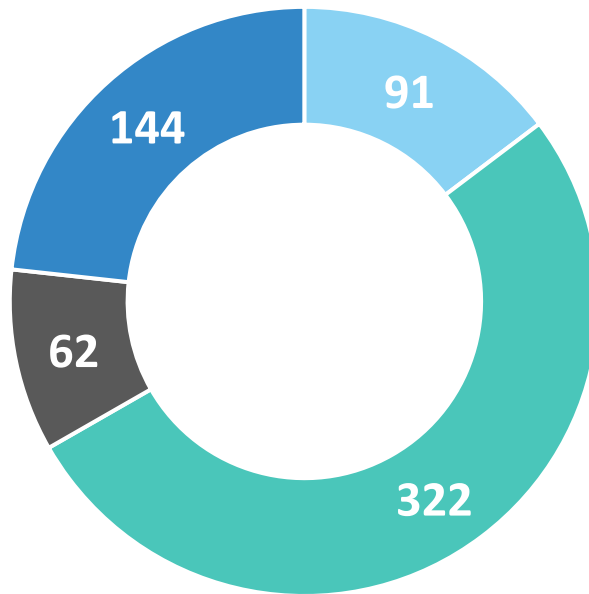
In the U.S. market, the Mid Atlantic region was the most active in Q3 with 69 closed deals. A notable Mid Atlantic deal was Astellas Pharma's \$5.9B acquisition of IVERIC Bio, a New Jersey-based biopharmaceutical company, in July 2023. The West Coast had 65 transactions and was followed by the Southeast which saw 64 completed deals. The Great Lakes and South each had 37 deals close and all other regions combined for a total of 75 completed transactions.

Outside of the U.S. in the North American market, 43 transactions closed in Canada in Q3.

Global Deal Analytics

Of the 685 Healthcare deals in Q3, 322 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

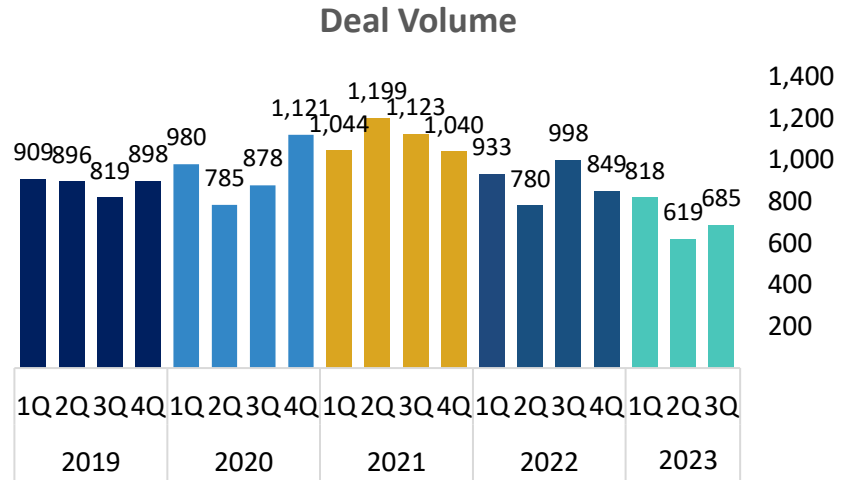
Healthcare Technology Systems

Pharmaceuticals & Biotechnology

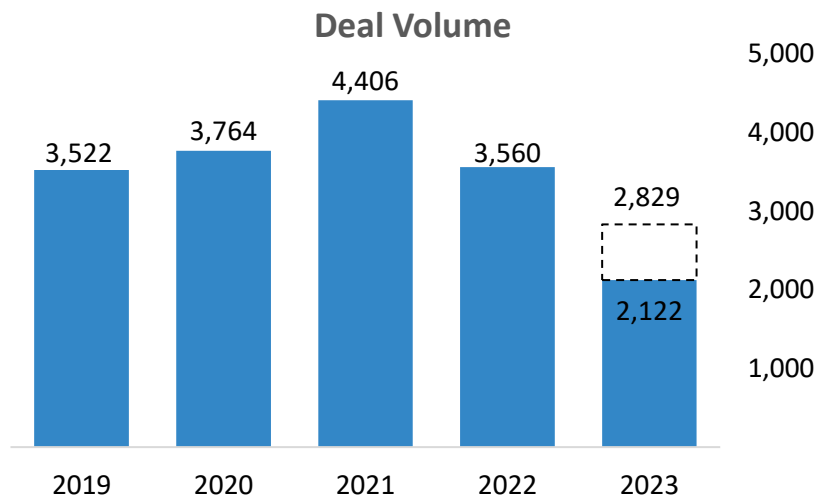


Global Deal Analytics

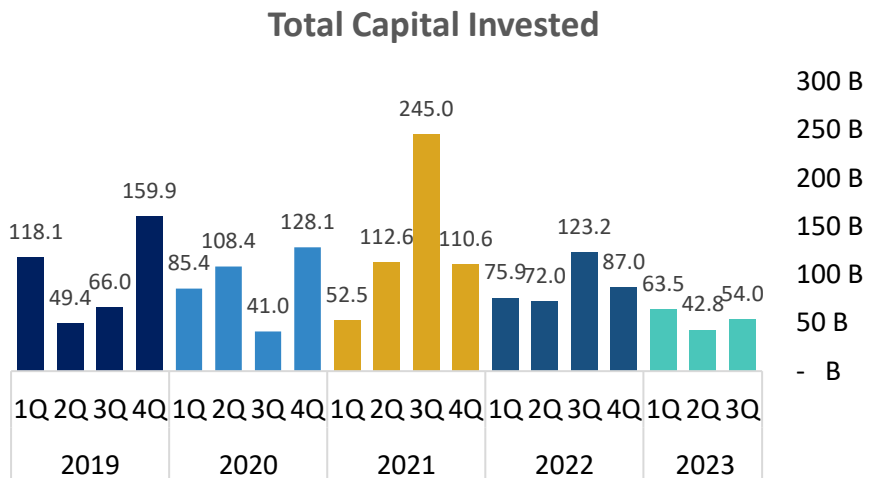
Deal volume in the Healthcare sector increased 10.7% in Q3 to 685 deals from 619 deals in Q2 but decreased 31.4% from 998 deals in Q3 of the prior year. Despite a slight uptick from the prior quarter, Q3 represents the second lowest level of deal volume seen over the past 5 years.



Based on YTD 2023 transaction data, M&A deal volume is projected to see a 20.5% decline to 2,829 deals in 2023 from 3,560 in the prior year. We attribute this decline to more challenging market conditions from a dealmaking perspective, including increased interest rates/cost of capital. These adverse conditions are expected to persist due to the Fed’s decision to maintain elevated interest rates through 1H 2024.



Following the trend in quarterly deal volume, total capital invested in M&A deals in the sector increased 26.2% in Q3 to \$54.0B from \$42.8B in Q2, but decreased 56.2% from \$123.2B in Q3 of the prior year. The increase from Q2 is primarily due to increased deal volume and several large deals in the quarter, including Biogen’s \$7.3B acquisition of Reata Pharmaceuticals.



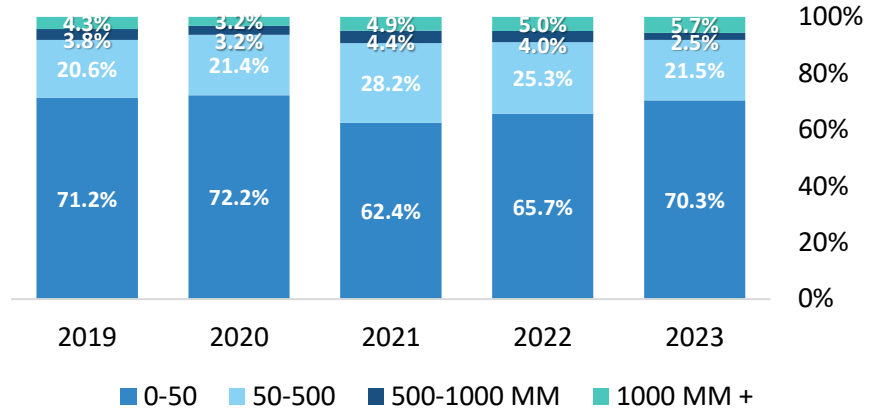
Global Deal Analytics

YTD through Q3, we saw a shift in mix toward smaller deals with the lower middle tranche of the market (\$0-\$50MM) increasing to 70.3% of deal volume from 65.7% in 2022. The large cap market (\$1000MM+) ticked up slightly to 5.7% from 5.0% in 2022. The middle (\$50- \$500MM) and the upper middle (\$500-\$1000MM) tranches of the market both saw slight declines from 25.3% and 4.0% to 21.5% and 2.5%, respectively, over the same period.

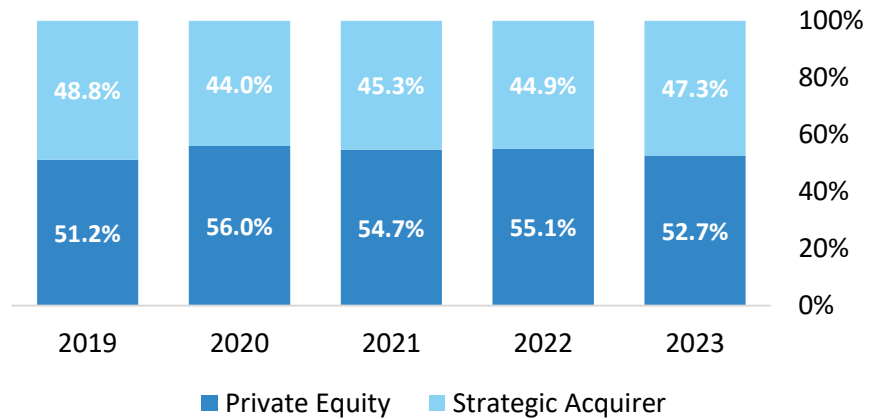
As a % of total deal volume, PE buyers trended lower in 2023 relative to strategic buyers, representing 52.7% of deal volume in the sector, down from 55.1% in 2022. YTD 2023 marks the lowest percentage of PE deal volume over the last 4 years. This drop is indicative of challenging market dynamics with increasing costs of capital and tightening liquidity from lenders.

PE’s share of total capital invested in M&A deals decreased in YTD 2023 to 23.0%, down from 35.2% in the prior year and represents the lowest level in five years. Given financing challenges in the current credit markets, strategic buyers with strong balance sheets have an advantage over PE buyers and can be more nimble with a lower cost of capital, allowing them to get more aggressive and outcompete PE buyers on deals.

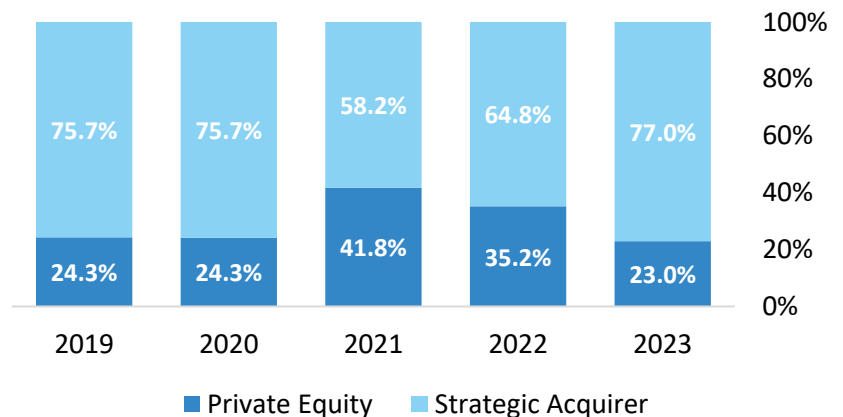
Deal Volume by Deal Size



Deal Volume by Acquirer

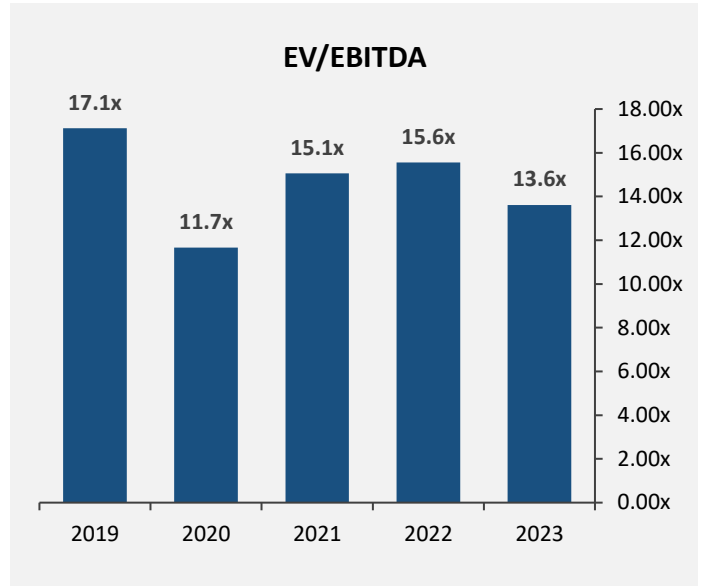
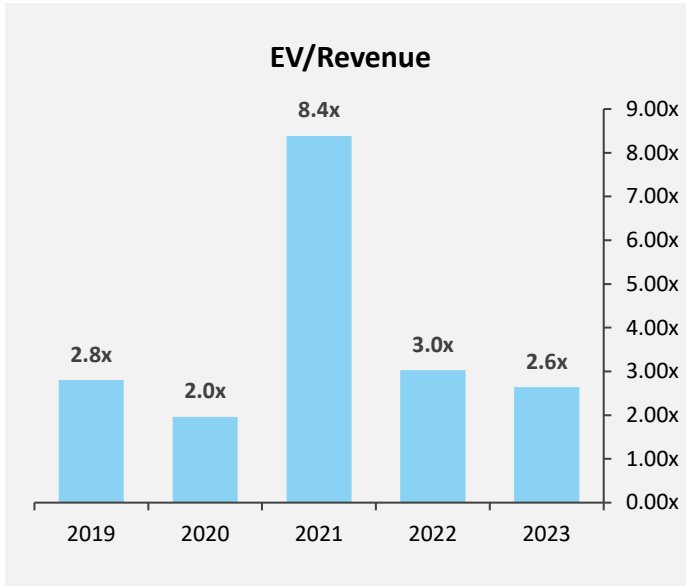


Total Capital Invested by Acquirer

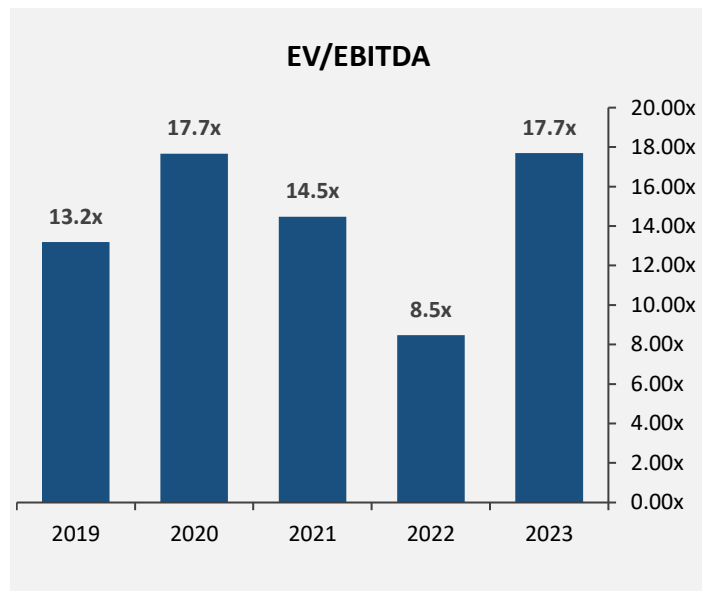
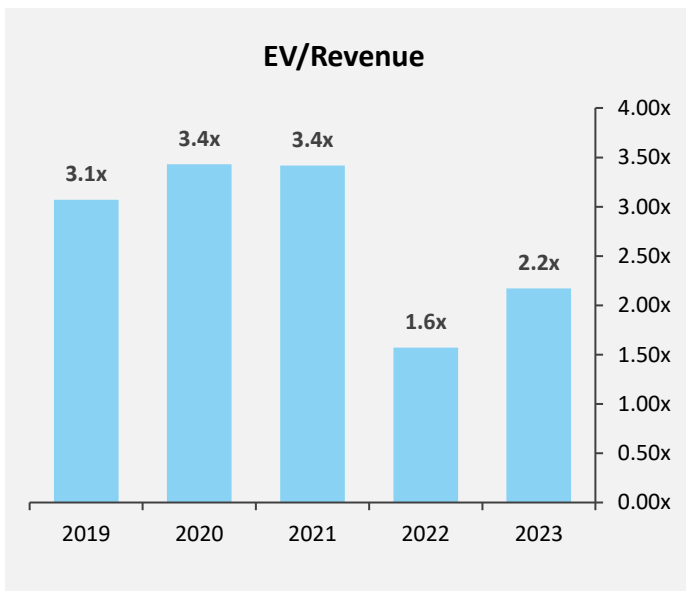


Valuation Multiples

Private Equity Multiples



Strategic Multiples



Largest Deals (Disclosed)

Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
29-Sep-2023	Xiidra	Bausch + Lomb	Merger/ Acquisition	\$ 2,500.0			Developer of a prescription eye drop drug designed to treat the signs and symptoms of dry eye disease.
29-Sep-2023	Quten	Sanofi	Merger/ Acquisition	1,000.0			Manufacturer and seller of health supplements intended to provide proper nutrition to users.
29-Sep-2023	Suven Pharma	Advent International	Buyout/ LBO	760.6	9.18x	19.69x	Manufacturer of Intermediates, Active Pharmaceutical Ingredients (API) under Contract Research and Manufacturing Services (CRAMS).
26-Sep-2023	Reata Pharmaceuticals	Biogen	Merger/ Acquisition	7,300.0	296.83x		A clinical-stage biopharmaceutical company focused on addressing life-threatening diseases by targeting molecular pathways. *
20-Sep-2023	Syneos Health	Elliott Management	Buyout/ LBO	7,100.0	1.31x	16.25x	Operator of a global contract research organization that provides services to pharmaceutical firms.
08-Sep-2023	Inversago Pharma	Novo Nordisk	Merger/ Acquisition	1,075.0			Developer of medical drugs designed to treat patients suffering from metabolic and fibrotic disorders.
01-Sep-2023	NuVasive	Globus Medical	Merger/ Acquisition	3,100.0	2.46x	15.45x	Provider of procedural solutions for spine surgery, with a guiding purpose to transform surgery, advance care and change lives.
31-Aug-2023	NexTech	TPG	Buyout/ LBO	1,405.0			Developer of electronic medical record and practice management software committed to improving the performance of specialty practices.
31-Aug-2023	Kerecis	Coloplast	Merger/ Acquisition	1,300.0			Manufacturer of fish skin-based therapeutic products intended to speed up the healing of human wounds and repair tissue damage.
29-Aug-2023	Coloplast	Undisclosed Investor	PIPE	1,347.5			Provider of ostomy management and continence care.
11-Aug-2023	Chinook Therapeutics	Novartis	Merger/ Acquisition	3,500.0	547.59x		Operator of a clinical-stage biotechnology company. *
09-Aug-2023	DICE Therapeutics	Eli Lilly	Merger/ Acquisition	2,400.0			Operator of a biopharmaceutical company focused on treating chronic diseases in immunology and other therapeutic areas.
20-Jul-2023	Idorsia (Asia-Pacific Operations)	Sosei	Merger/ Acquisition	526.5			Provider of medicines intended to help patients.
19-Jul-2023	Smile Doctors	Undisclosed Investor	PE Growth/ Expansion	550.0			Operator of a dental support organization (DSO) intended to provide all-inclusive orthodontic treatments to patients.
18-Jul-2023	Polyplus-transfection	Sartorius	Merger/ Acquisition	2,637.1			Developer of gene and cell therapy technologies for the delivery of nucleic acids in research, bio-production and therapeutics.
17-Jul-2023	DTx Pharma	Novartis	Merger/ Acquisition	1,000.0			Developer of RNA-based therapeutics designed to aid in personalized treatment across most therapeutic areas.
14-Jul-2023	Versanis Bio	Eli Lilly	Merger/ Acquisition	1,925.0			Developer of medicines designed to address medical conditions prevalent in older adults.
11-Jul-2023	IVERIC Bio	Astellas Pharma	Merger/ Acquisition	5,900.0			Operator of a biopharmaceutical company focused on the discovery and development of novel treatment options for retinal diseases.
Mean				2,518.1	4.32x	17.13x	
Median				1,665.0	9.18x	16.25x	
High				7,300.0	547.59x	19.69x	
Low				526.5	1.31x	15.45x	

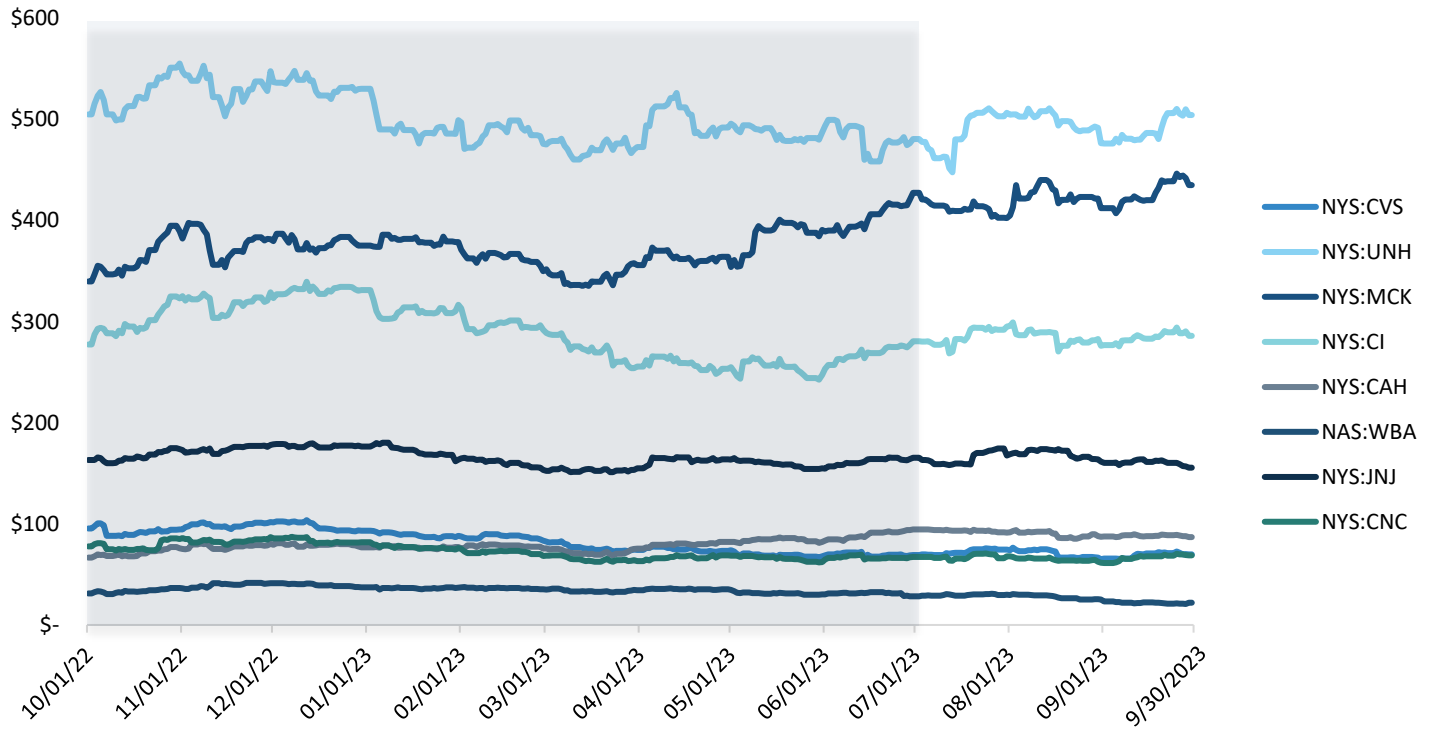
* Excludes outliers in the EV/revenue mean calculation.

Leading M&A Deals

Deal	Deal Synopsis	Driver
 	<p>Reata Pharmaceuticals, a Texas-based clinical-stage biopharmaceutical company focused on addressing life-threatening diseases by targeting molecular pathways, was acquired by Biogen for \$7.3 billion in September 2023. The acquisition represents a meaningful step forward in Biogen's strategy for sustainable growth, adding a highly complementary innovative product in an area of high unmet medical need.</p>	<p>Merger/ Acquisition</p>
   	<p>Syneos Health ("SH"), a North Carolina-based global contract research organization ("CRO") providing drug research and discovery services to pharmaceutical companies, was acquired by Patient Square Capital, Veritas Capital and Elliott Management through a \$7.1 billion public-to-private LBO in September 2023. The transaction positions SH to scale through enhanced customer delivery solutions and a more robust tech-enabled platform.</p>	<p>LBO</p>
 	<p>IVERIC Bio ("IB"), a New Jersey-based biopharmaceutical company providing novel treatment options for retinal diseases, was acquired by Astellas Pharma ("AP") for \$5.9 billion in July 2023. This acquisition strengthens AP's offering in the ophthalmologic space to offer solutions to millions of patients around the world who are suffering from ophthalmologic diseases with fear of vision loss.</p>	<p>Merger/ Acquisition</p>
 	<p>Chinook Therapeutics ("CT"), a Seattle-based clinical-stage biotechnology company focused on severe chronic kidney disorders, was acquired by Novartis for \$3.5 billion in August 2023. This acquisition bolsters Novartis' renal therapeutics franchise and adds to its renal drug pipeline through CT's atrasentan and zigakibart (BION-1301).</p>	<p>Merger/ Acquisition</p>

Public Comps

Stock Price

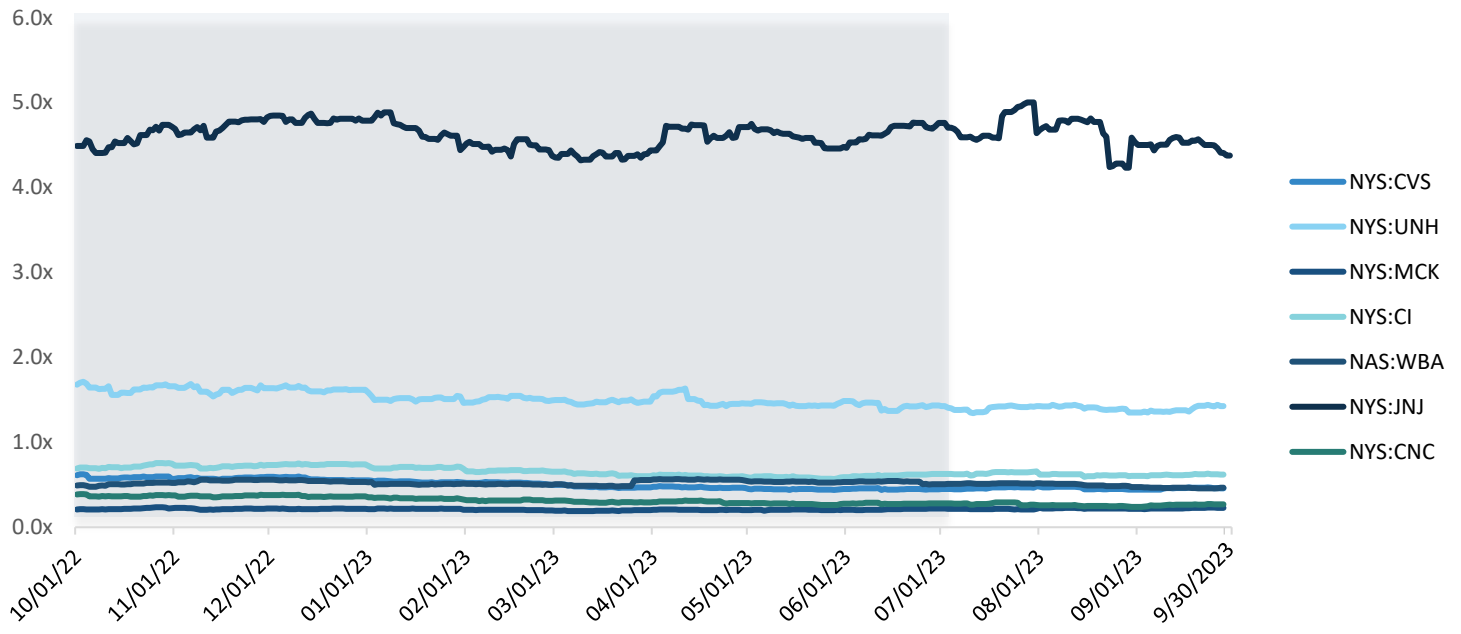


Financial & Valuation

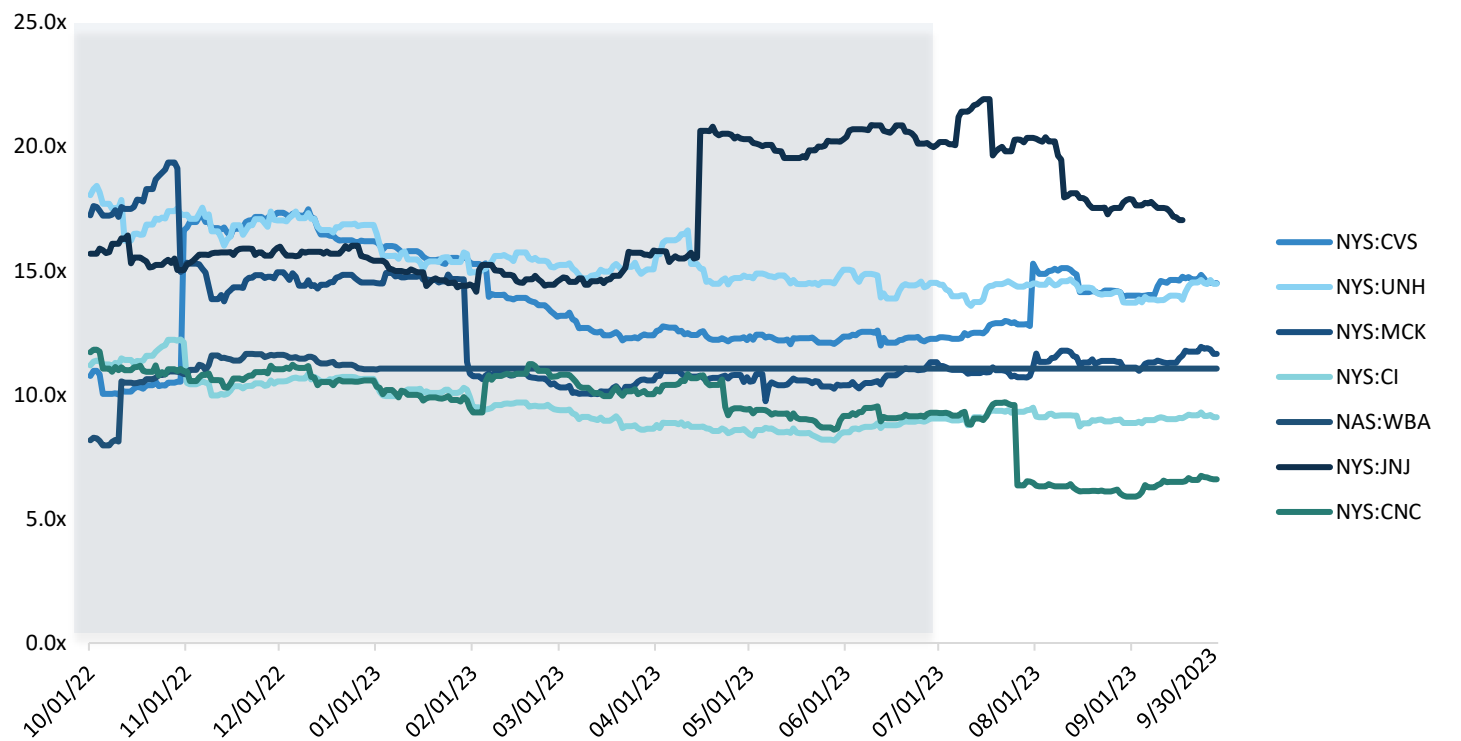
\$MM	Company	Ticker	Stock Price	Market Cap	EV/Revenue			EV/EBITDA			Revenue Growth			EBITDA Margin		
					21A	22A	23F	21A	22A	23F	21A	22A	23F	21A	22A	23F
	CVS Health	NYS:CVS	70	89,677	0.7x	0.6x	0.5x	11.8x	16.4x	8.7x	7%	11%	1%	6%	3%	6%
	UnitedHealth Group	NYS:UNH	504	467,034	1.8x	1.6x	1.4x	19.9x	16.5x	14.0x	11%	13%	13%	9%	10%	10%
	McKesson	NYS:MCK	435	58,662	0.2x	0.2x	0.2x	N/A	14.5x	11.1x	7%	8%	7%	-2%	1%	2%
	Cigna	NYS:CI	286	84,671	0.7x	0.7x	0.7x	7.6x	10.6x	12.7x	9%	6%	23%	9%	7%	5%
	Cardinal Health	NYS:CAH	87	21,388	0.1x	0.1x	0.1x	7.8x	N/A	9.5x	8%	12%	10%	1%	0%	1%
	Walgreens Boots Alliance	NAS:WBA	22	19,199	0.6x	0.5x	0.5x	16.0x	11.3x	12.3x	9%	0%	6%	4%	5%	4%
	Johnson & Johnson	NYS:JNJ	156	375,048	5.0x	4.8x	4.7x	16.6x	15.6x	13.6x	13%	5%	-10%	30%	31%	32%
	Centene	NYS:CNC	69	37,297	0.5x	0.4x	0.4x	17.7x	10.4x	9.3x	20%	16%	-6%	3%	3%	4%
Mean					1.2x	1.1x	1.1x	13.9x	13.6x	11.4x	10.4%	8.8%	5.4%	7.4%	7.5%	7.9%
Median					0.6x	0.6x	0.5x	16.0x	14.5x	11.7x	8.6%	9.5%	6.4%	4.9%	4.1%	4.5%

Public Comps

EV/Revenue



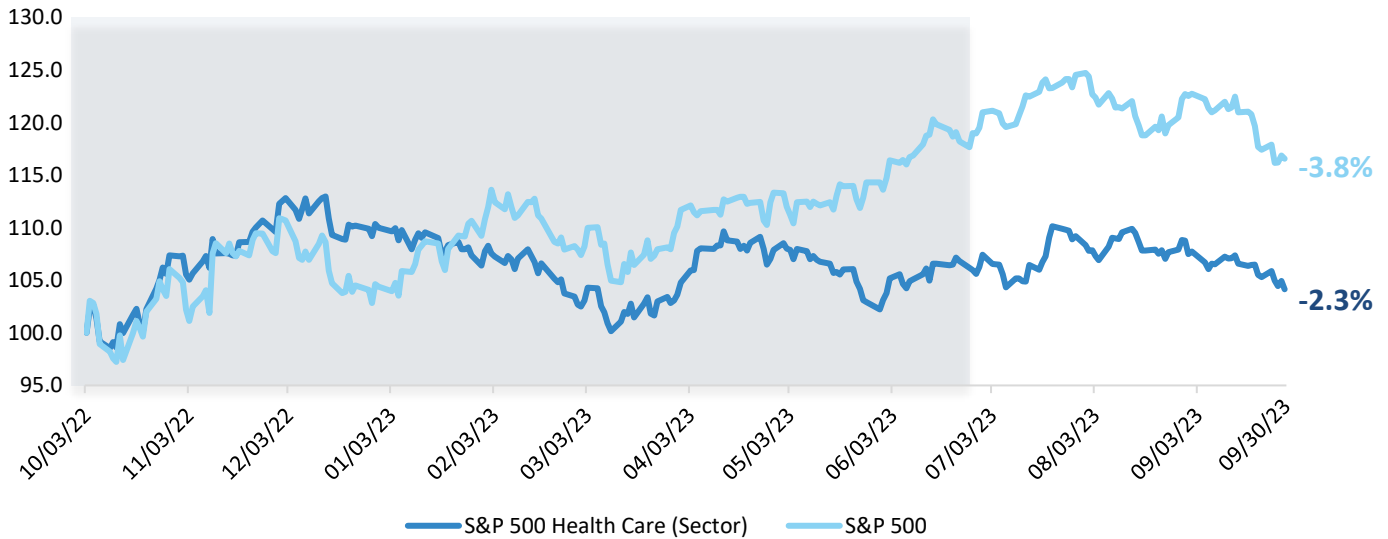
EV/EBITDA



Public Markets

Index Performance

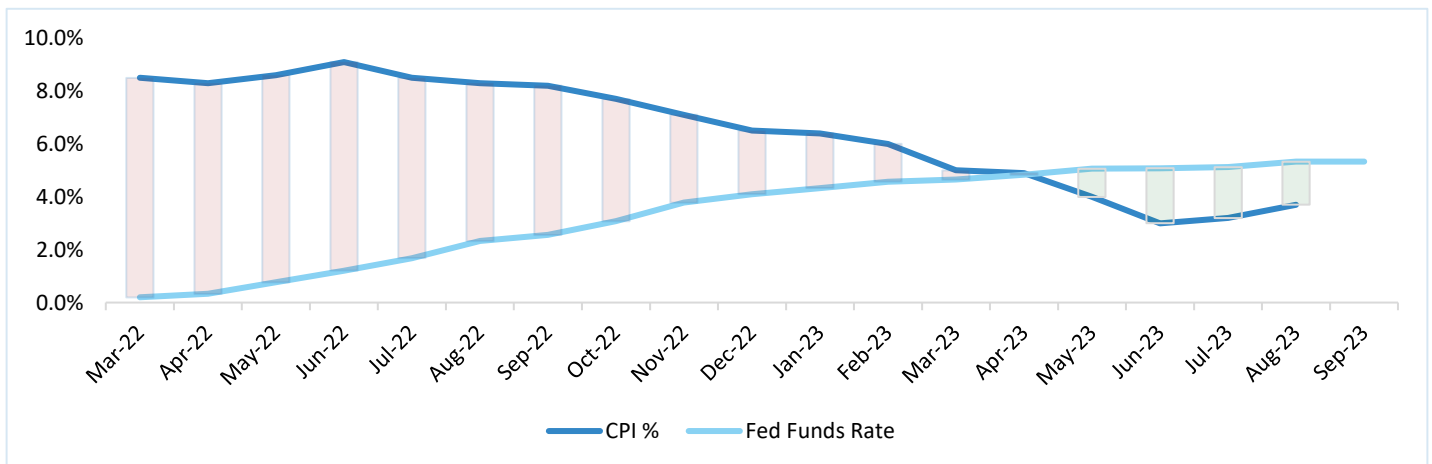
In Q3, the S&P 500 Healthcare Index decreased 2.3% and outperformed the S&P 500, which decreased 3.8% over the same period.



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.

In September 2023, the Federal Reserve decided to keep the Federal Funds Rate stable at 5.3%, signaling a reversal in the trend of the Fed’s increasing rate hikes that we saw from March 2022 to August 2023. The Fed’s recent decision was likely a result of the CPI decreasing from a peak of 9.1% in June 2022 to 3.7% in August 2023. However, the CPI remains above the Fed’s 2% target and indicates we will see another rate hike in 2023, followed by a long pause at 5.4% in 1H 2024 due to concerns that inflation might not fall fast enough. The job market and the economy have remained robust despite these rate hikes as the Fed seeks to guide the economy towards a "soft landing" in an attempt to reduce inflation without causing a recession. An elevated Federal Funds Rate will lower consumer spending and result in lower revenues for the Healthcare sector.



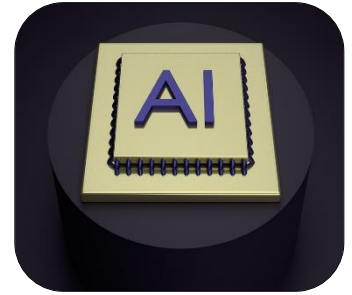
Source: IBISWorld, S&P Global

Industry Trends

AI in Healthcare

Projected 37.5% CAGR through 2030

The global artificial intelligence in healthcare market size was valued at \$15.4B in 2022 and is expected to expand at a compound annual growth rate (CAGR) of 37.5% from 2023 to 2030. The growing datasets of patient health-related digital information, increasing demand for personalized medicine, and the rising demand for reducing care expenses are some of the forces driving market growth.



Supply Chain

New supply chain disruptions will reduce access to a variety of medications

In the coming years, supply chain disruptions are expected to have a significant impact on the healthcare industry. These disruptions could affect the delivery of pharmaceuticals, the use of diagnostic tools, and the provision of patient care services at healthcare facilities.



Medical Tourism

High Costs at Home and Uninsured Procedures Drive Industry Growth

The rising demand for specialized treatments is leading more U.S. citizens to seek medical services abroad. The industry is being driven by the high cost of health services in the U.S. and the rising demand for procedures that are not insured, such as gender reassignment surgeries, reproductive therapy, and dental reconstruction.



Internet of Medical Things

Connectivity to transform the Medtech Industry

The Internet of Medical Things (IoMT) will continue reinventing the way medical service providers and patients engage in a wide range of practices. This trend will influence manufacturers and suppliers to invest in connected health technologies and services that meet the needs of the modern patient.



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.



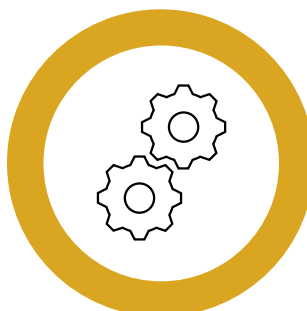
Buy-Side Advisory: Buy a business

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.





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 acquired




Our Team



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.

Our Team



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.



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 Team



Ryan Hartman
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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.



Charlie Meier
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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

Disclaimer

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