



Healthcare M&A Update – Q1 2024



Healthcare M&A Update

Q1 2024

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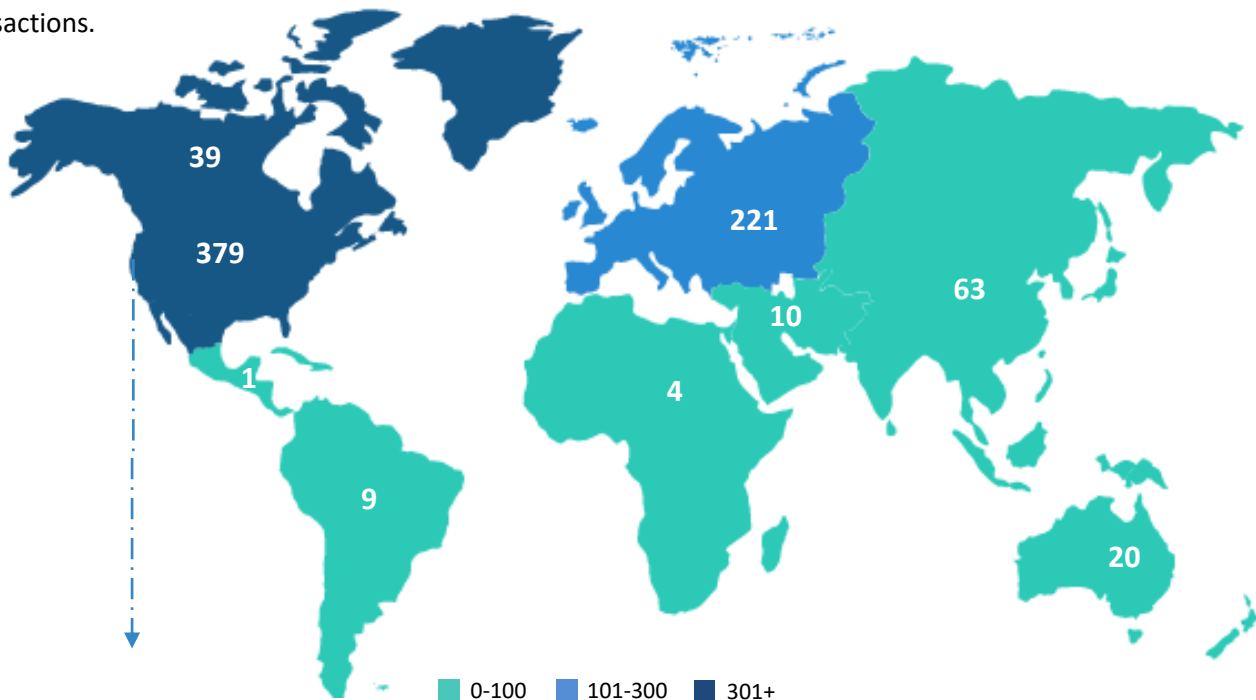
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REPORT HIGHLIGHTS

- In Q1, the S&P 500 Healthcare Index increased by 6.5%, but was outperformed by a 10.8% increase in the S&P 500 over the same period.
- The median EV/EBITDA multiple for reported strategic deals decreased to 13.1x in 2024 from 17.2x in 2023. There were no reported EV/EBITDA multiples for PE buyers in Q1.
- M&A deal volume in the Healthcare sector decreased 6.9% to 746 completed transactions in Q1 compared to 801 deals in Q4 and decreased 8.8% from 818 deals in Q4 of the prior year.
- As a % of total capital invested in M&A transactions in Q1, PE participation decreased slightly to 17.9%, down from 18.1% in the prior year.
- North America was the most active region in Q1 with 418 deals. Most notably in the North American market was Bristol-Myers Squibb's \$14.0 billion acquisition of Karuna Therapeutics in March 2024.

Global Deal Analytics

Of the 746 deals in Q1, North America was the most active market with 418 deals closed. Europe was the second most active region with 221. One of the more notable deals in Europe during Q1 was Novozymes' \$12.3 billion acquisition of Chr. Hansen, a Denmark-based producer and developer of new strains and enzymes catering to food culture, plant, animal, and human health industries, in January 2024. All other regions combined for a total of 107 completed transactions.



Canada: 39

United States Regions: 379

West Coast: 84

Southeast: 65

Mid Atlantic: 60

Great Lakes: 48

South: 48

Other: 74

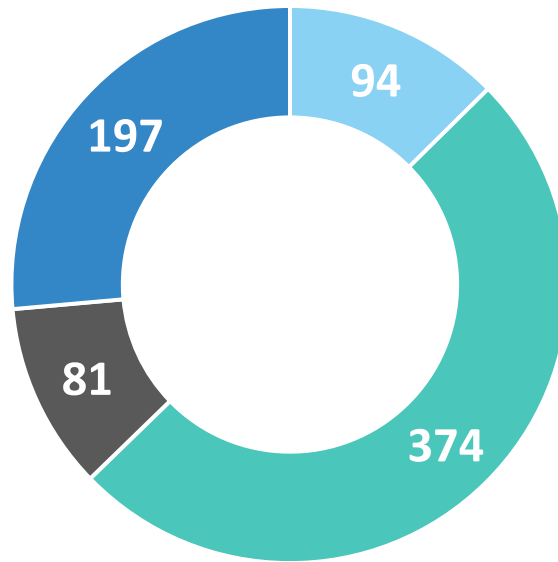
In the U.S. market, the West Coast region was the most active in Q1 with 84 closed deals. A notable West Coast deal was Gilead Sciences' \$4.3 billion acquisition of CymaBay Therapeutics, a California-based clinical-stage biopharmaceutical company, in March 2024. The Southeast had 65 transactions and was followed by the Mid Atlantic, which saw 60 completed deals. The Great Lakes and South each saw 48 deals close, and all other regions combined for a total of 74 completed transactions.

Outside of the U.S. in the North American market, 39 transactions closed in Canada in Q1.

Global Deal Analytics

Of the 746 Healthcare deals in Q1, 374 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 197 deals followed by Healthcare Devices & Supplies and Healthcare Technology Systems with 94 and 81 closed transactions, respectively.

Deals by Subsector



Healthcare Devices & Supplies



Healthcare Services



Healthcare Technology Systems



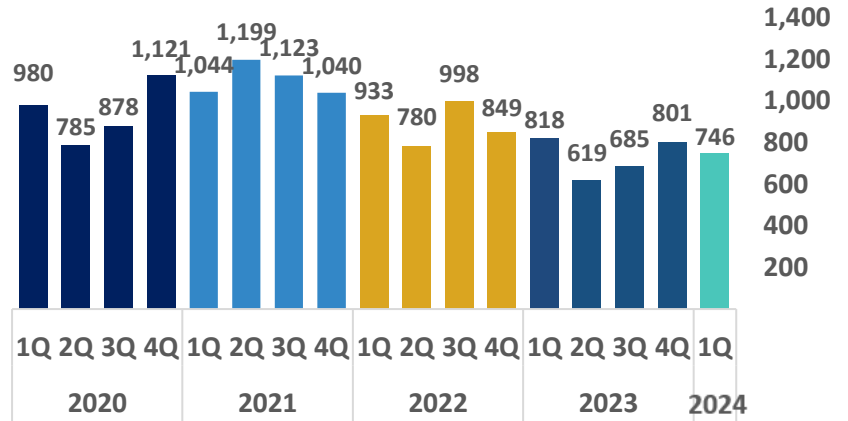
Pharmaceuticals & Biotechnology



Global Deal Analytics

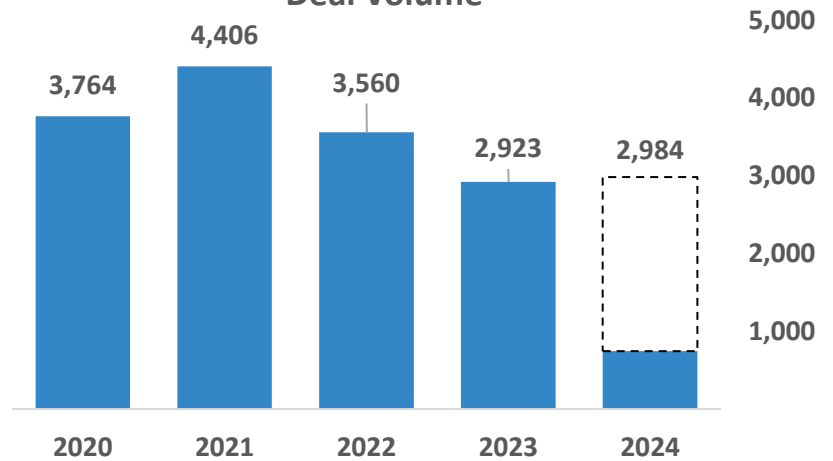
Deal volume in the Healthcare sector decreased 6.9% in Q1 to 746 deals from 801 deals in Q4, and decreased 8.8% from 818 deals in Q1 of the prior year. This decrease from the prior quarter represents a reversal of the trend of increasing deal volume since a low of 619 deals in Q2 2023. Additionally, Q1 represents the third lowest level of deal volume seen over the last 4 years.

Deal Volume



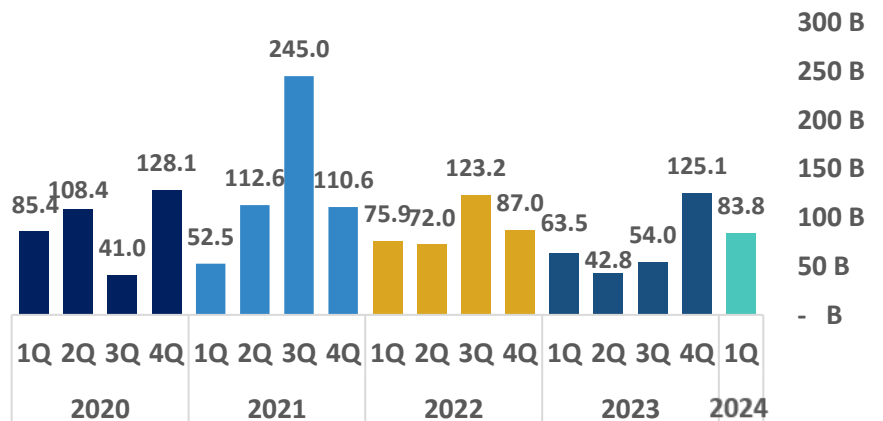
Annual deal volume is projected to increase 2.1% to 2,984 deals in 2024 from 2,923 in the prior year. We attribute this increase to the consensus that global macroeconomic conditions are projected to improve slightly in 2024 with gradually rising global GDP and inflation set to fall to 5.8%.

Deal Volume



Following the trend in quarterly deal volume, total capital invested in M&A deals in the Healthcare sector decreased 33.0% in Q1 to \$83.8 from \$125.1B in Q4, and increased 32.0% from \$63.5B in Q1 of the prior year. The decrease from the prior quarter is primarily due to Pfizer’s \$43.0B acquisition of Seagen and Amgen’s \$27.8B acquisition of Horizon Therapeutics in Q4 2023. Comparatively, the largest deal in Q1 was Bristol-Myers Squibb’s \$14.0B acquisition of Karuna Therapeutics.

Total Capital Invested



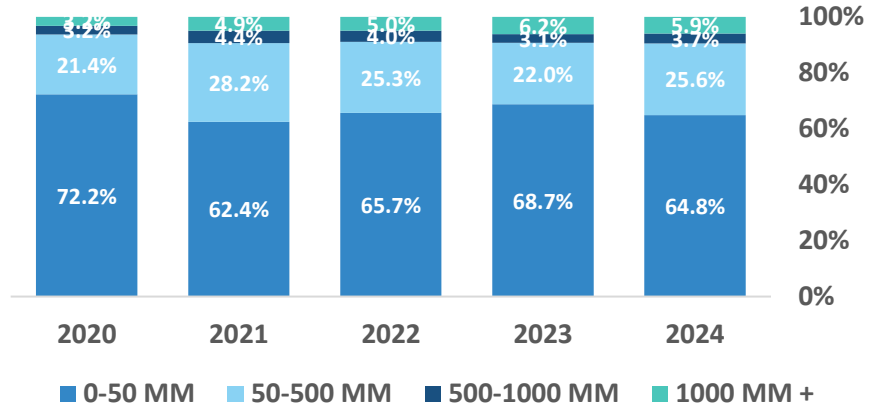
Global Deal Analytics

In Q1, we saw a shift towards mid-sized deals compared to the prior year. The middle (\$50 - \$500MM) and upper middle (\$500-\$1000MM) tranches of the market saw increases to 25.6% and 3.7% in Q1 2024 from 22.0% and 3.1% in 2023, respectively. The large cap (\$1000MM+) market declined to 5.9% in Q1 from 6.2% in 2023 while the lower middle (\$0-\$50MM) market decreased from 64.8% to 68.7% over the same period.

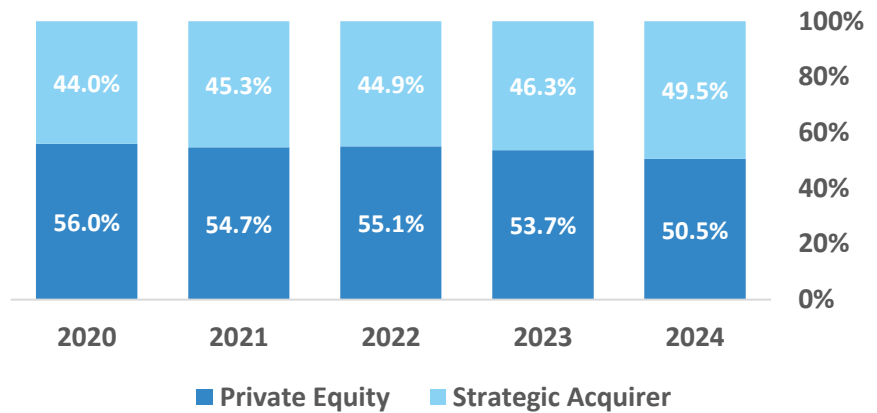
As a % of total deal volume, PE buyers trended lower in Q1 relative to strategic buyers, representing 50.5% of deal volume in the sector, down from 53.7% in 2023. Q1 2024 marks the lowest percentage of PE deal volume over the last 4 years. This drop is indicative of challenging market dynamics with increasing costs of capital and tightening liquidity from lenders.

PE's share of total capital invested in M&A deals decreased slightly in 2024 to 17.9%, down from 18.1% in the prior year, and represents the lowest level in five years. Nine of the ten largest deals in 2023 were completed by strategic buyers while PE buyers were less active and closed smaller sized deals comparatively.

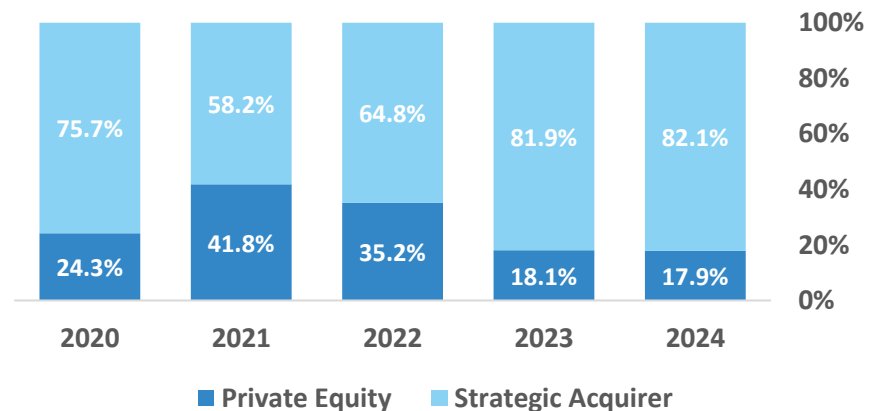
Deal Volume by Deal Size



Deal Volume by Acquirer

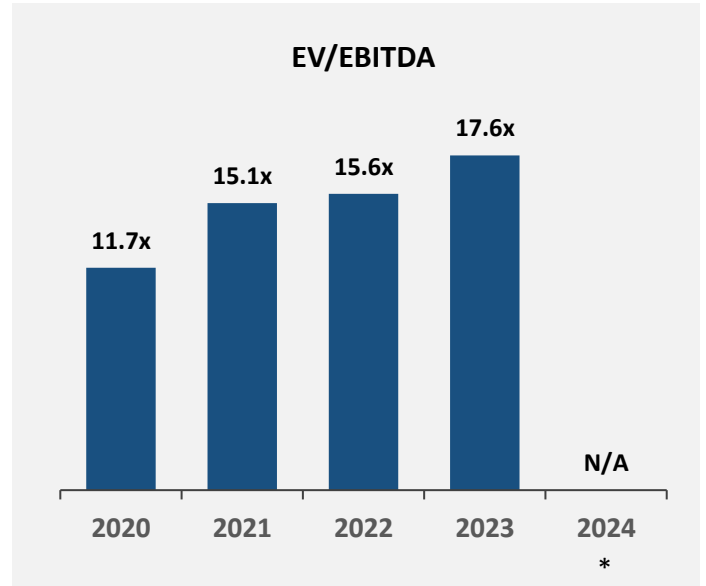
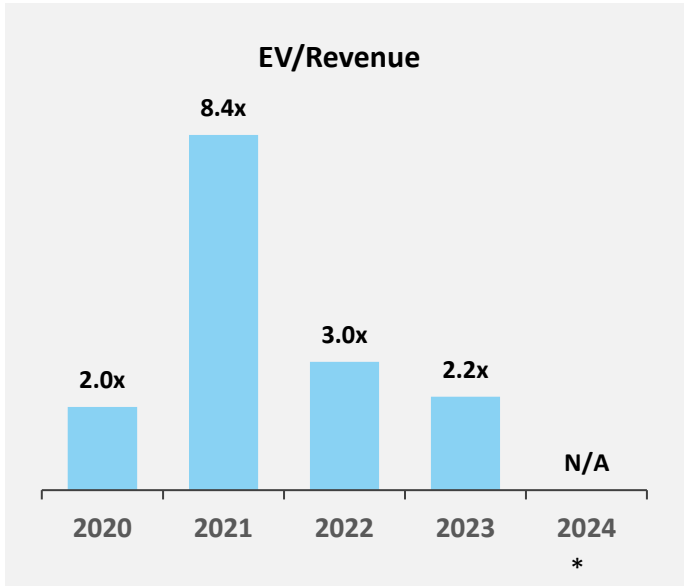


Total Capital Invested by Acquirer

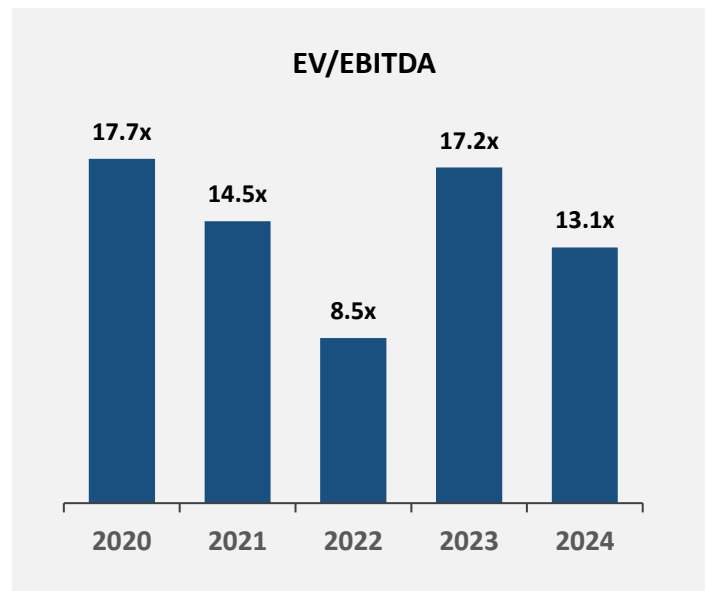
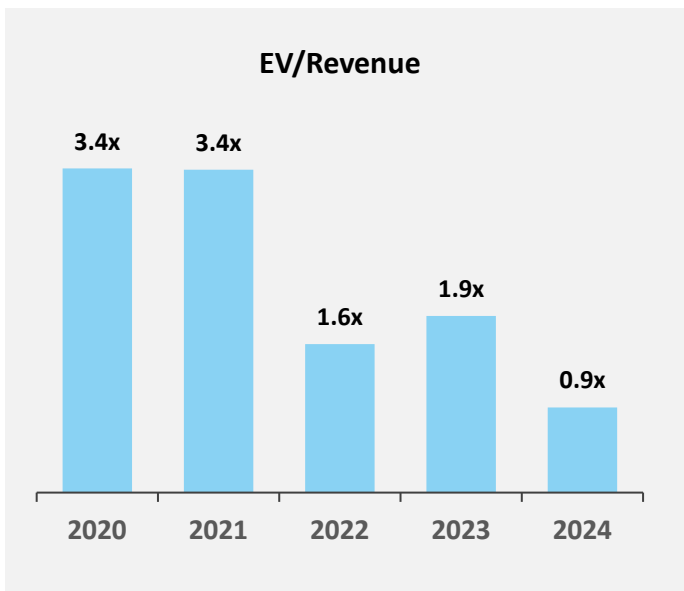


Valuation Multiples

Private Equity Multiples



Strategic Multiples



* No Private Equity EV/Revenue or EV/EBITDA multiples were reported in 2024.

Largest Deals (Disclosed)

Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
31-Mar-2024	Community Family Care Medical Group IPA	Astrana Health	Merger/Acquisition	\$ 202.0	1.06x	8.08x	Operator of a patient-centered physician-centric integrated population health management company.
22-Mar-2024	CymaBay Therapeutics	Gilead Sciences	Merger/Acquisition	4,300.0	125.70x		Operator of a clinical-stage biopharmaceutical company focused on developing therapies for patients with liver diseases.
19-Mar-2024	International Flavors & Fragrances	Roquette	Merger/Acquisition	2,850.0			Operator of a pharmaceuticals solutions business.
18-Mar-2024	Karuna Therapeutics	Bristol-Myers Squibb	Merger/Acquisition	14,000.0	19,475.82x		Operator of a clinical-stage biopharmaceutical company focused on developing novel therapies to address disabling neuropsychiatric conditions. *
11-Mar-2024	Paragon Healthcare	Elevance Health	Merger/Acquisition	1,000.0			Provider of infusion and pharmacy services intended for health care providers, insurers and patients.
07-Mar-2024	Ambrx	Johnson & Johnson	Merger/Acquisition	2,400.0	531.33x		Operator of a clinical-stage biologics company focused on discovering and developing a novel class of engineered precision biologics (EPBs). *
05-Mar-2024	Attune Medical	Haemonetics	Merger/Acquisition	160.0	7.27x	28.57x	Developer of a medical device designed to efficiently control patient temperature via cooling or warming through the esophagus.
26-Feb-2024	RayzeBio	Bristol-Myers Squibb	Merger/Acquisition	4,100.0			Operator of a company operating as vertically integrated radiopharmaceutical therapeutics company.
19-Feb-2024	Icosavax	AstraZeneca	Merger/Acquisition	1,100.0			Operator of a biopharmaceutical company.
15-Feb-2024	Aiolos Bio	GSK	Merger/Acquisition	1,400.0			Operator of a clinical-stage biopharmaceutical company.
15-Feb-2024	Altos Labs	Mubadala Investment Company	PE Growth/Expansion	1,100.0			Operator of a biotechnology company intended to restore cell health and resilience.
12-Feb-2024	Immunogen	AbbVie	Merger/Acquisition	10,100.0	33.01x		Operator of a clinical-stage biotechnology company from the United States.
09-Feb-2024	ALEXIS HOSPITAL	Max Healthcare Institute	Merger/Acquisition	49.6		16.40x	Operator of a multispecialty hospital intended to be a partner of every healthcare seeker by providing efficient and expert care.
07-Feb-2024	Sartorius Stedim Biotech	Sartorius	PIPE	1,305.1			Provider of bioprocessing solutions.
29-Jan-2024	Chr. Hansen	Novozymes	Merger/Acquisition	12,300.0			Producer and developer of new strains and enzymes catering to food culture, plant, animal, and human health industries.
23-Jan-2024	Mirati Therapeutics	Bristol-Myers Squibb	Merger/Acquisition	5,800.0	126.30x		Operator of a clinical-stage oncology company developing novel therapeutics to address the genetic and immunological promoters of cancer.
17-Jan-2024	Dechra Pharmaceuticals	Abu Dhabi Investment Authority, EQT	Buyout/LBO	5,669.7			Operator of a major drug manufacturing company with a focus on veterinary pharmaceutical products.
02-Jan-2024	BL Healthcare	Kwang Dong Pharmaceutical	Merger/Acquisition	23.0	0.59x	9.85x	Operator of a Bio-venture company, which develops, manufactures, and sells health functional food and pharmaceutical products.
Mean				3,770.0	48.99x	15.73x	
Median				1,900.0	20.14x	13.13x	
High				14,000.0	19,475.82x	28.57x	
Low				23.0	0.59x	8.08x	

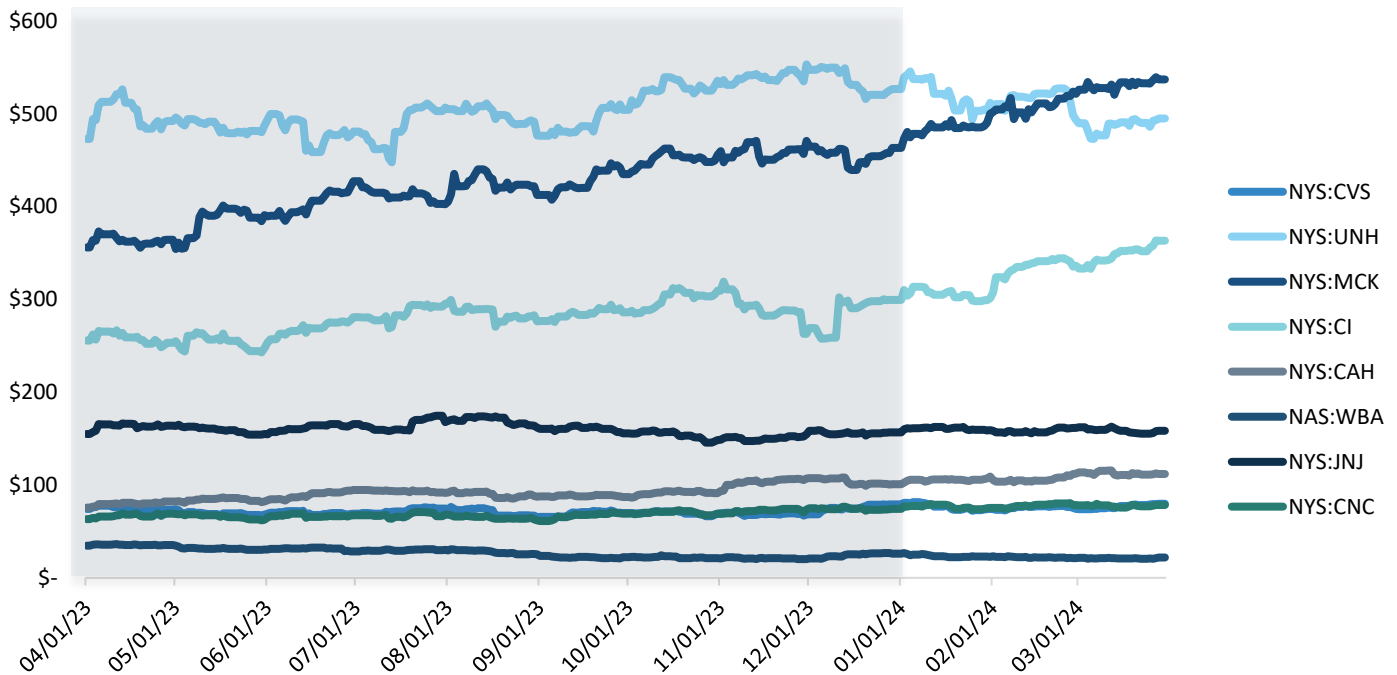
* Excludes outliers in the EV/Revenue mean and median calculations.

Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
 	<p>Chr. Hansen, a Denmark-based developer of enzymes and strains catered to a variety of health and food industries, was acquired by Novozymes for \$12.3 billion in January 2024. The merger will integrate Novozymes' enzyme proficiency with Chr. Hansen's natural microbials capabilities, positioning the combined entity to capture more market share.</p>	<p>Merger/ Acquisition</p>
 	<p>Karuna Therapeutics ("Karuna"), a Boston-based clinical-stage biopharmaceutical developer of neuropsychiatric therapies, was acquired by Bristol-Myers Squibb ("BMS") for \$14.0 billion in March 2024. The acquisition of Karuna bolsters BMS's portfolio in neuroscience by introducing Karuna's pre-clinical pipeline.</p>	<p>Merger/ Acquisition</p>
 	<p>Immunogen ("IMGN"), a Massachusetts-based clinical-stage biotech developer of antibody-drug conjugates for cancer cells, was acquired by AbbVie ("ABBV") for \$10.1 billion in February 2024. The acquisition will diversify ABBV's oncology pipeline across solid tumors and hematologic malignancies by adding IMGN's flagship cancer therapy, ELAHERE®, a first-in-class ADC.</p>	<p>Merger/ Acquisition</p>
 	<p>Mirati Therapeutics ("MT"), a California-based clinical-stage developer of novel oncological therapeutics to address the genetic promoters of cancer, was acquired by Bristol-Myers Squibb ("BMS") for \$5.8 billion in January 2024. Through this acquisition, BMS will add KRAZATI, a key lung cancer medicine, to its commercial portfolio and gain access to clinical assets that complement its oncology pipeline.</p>	<p>Merger/ Acquisition</p>

Public Comps

Stock Price

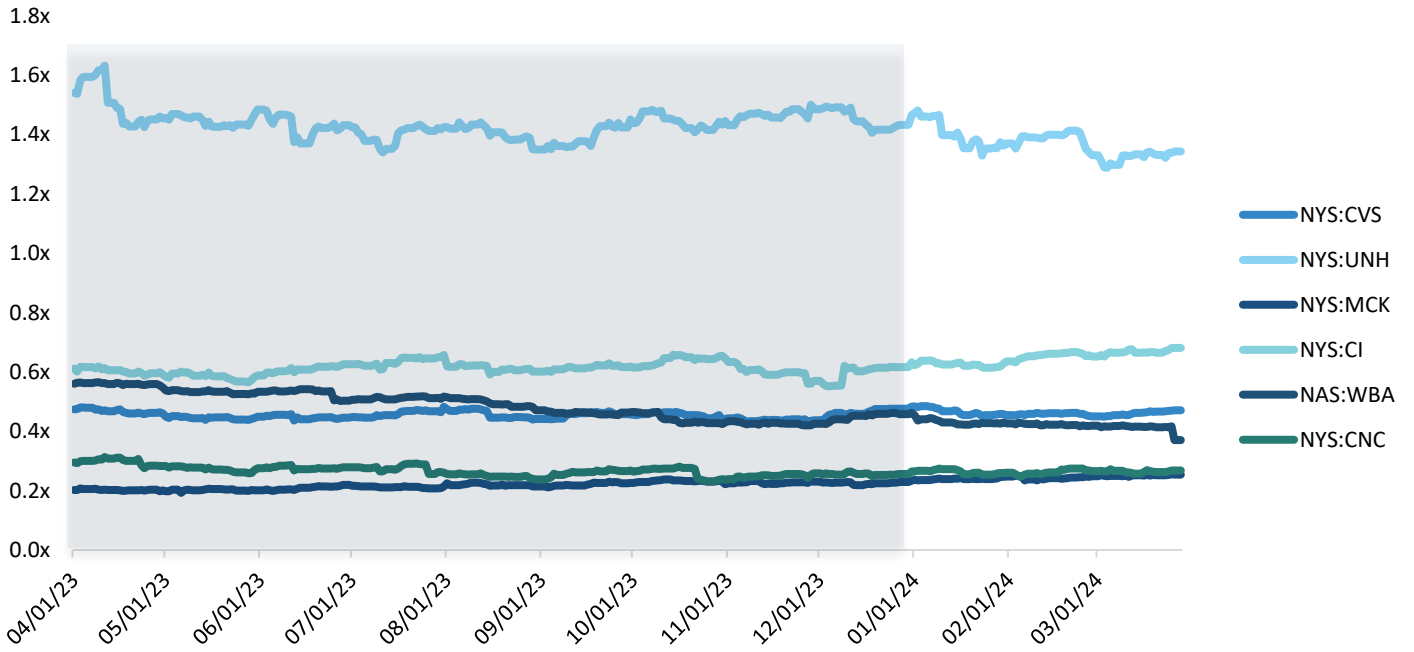


Financial & Valuation

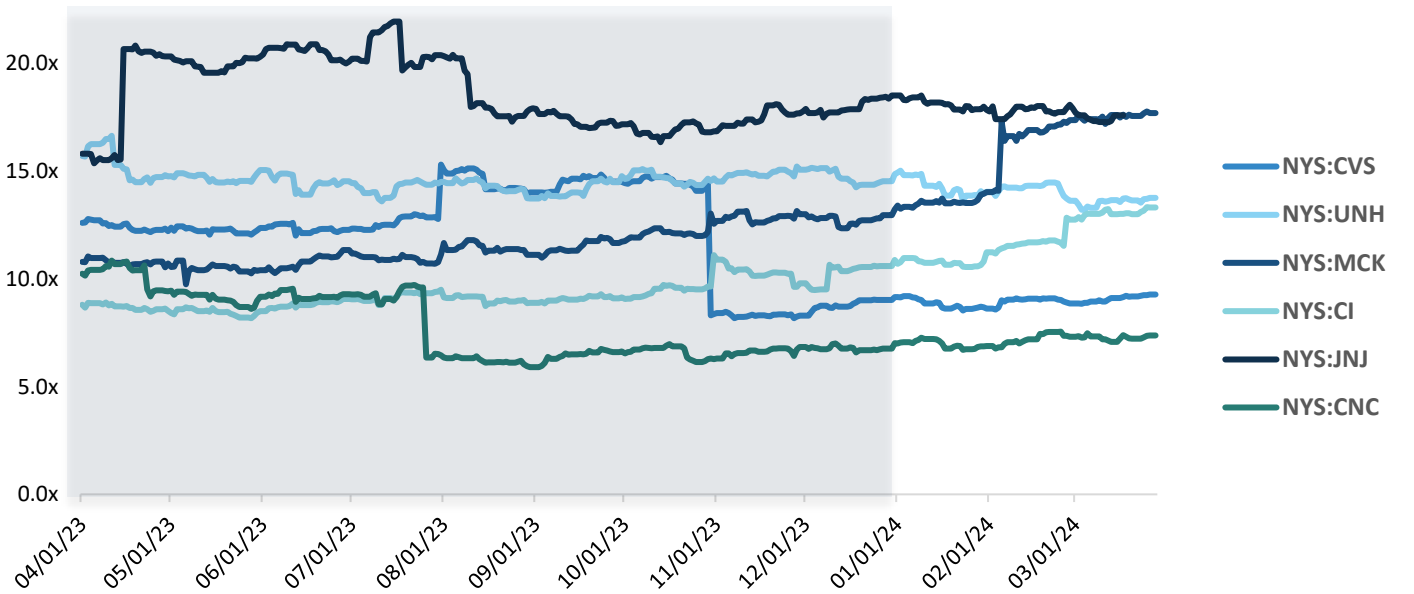
\$MM	Ticker	Stock Price	Market Cap	EV/Revenue			EV/EBITDA			Revenue Growth			EBITDA Margin		
				22A	23A	24F	22A	23A	24F	22A	23A	24F	22A	23A	24F
CVS Health	NYS:CVS	70	89,677	0.6x	0.5x	0.5x	16.4x	9.0x	8.4x	11%	10%	5%	3%	5%	5%
UnitedHealth Group	NYS:UNH	504	467,034	1.6x	1.4x	1.3x	16.5x	14.4x	12.6x	13%	14%	11%	10%	10%	10%
McKesson	NYS:MCK	435	58,662	0.2x	0.2x	0.2x	14.5x	12.7x	11.9x	8%	7%	12%	1%	2%	2%
The Cigna Group	NYS:CI	286	84,671	0.7x	0.6x	0.5x	10.6x	10.5x	9.1x	6%	5%	20%	7%	6%	6%
Cardinal Health	NYS:CAH	87	21,388	0.1x	0.1x	0.1x	N/A	20.2x	9.0x	12%	12%	8%	0%	1%	1%
Walgreens Boots Alliance	NAS:WBA	22	19,199	0.5x	0.5x	0.4x	11.3x	N/A	13.3x	0%	5%	3%	5%	-2%	3%
Johnson & Johnson	NYS:JNJ	156	375,048	4.8x	4.4x	4.3x	15.6x	17.7x	11.4x	-24%	20%	5%	34%	25%	32%
Centene	NYS:CNC	69	37,297	0.4x	0.3x	0.3x	10.4x	6.7x	8.1x	16%	6%	-4%	3%	4%	3%
Mean				1.1x	1.0x	1.0x	13.6x	13.0x	10.5x	5.2%	10.0%	7.4%	7.9%	6.3%	7.8%
Median				0.6x	0.5x	0.5x	14.5x	12.7x	10.2x	9.5%	8.7%	6.1%	4.1%	4.5%	4.3%

Public Comps

EV/Revenue



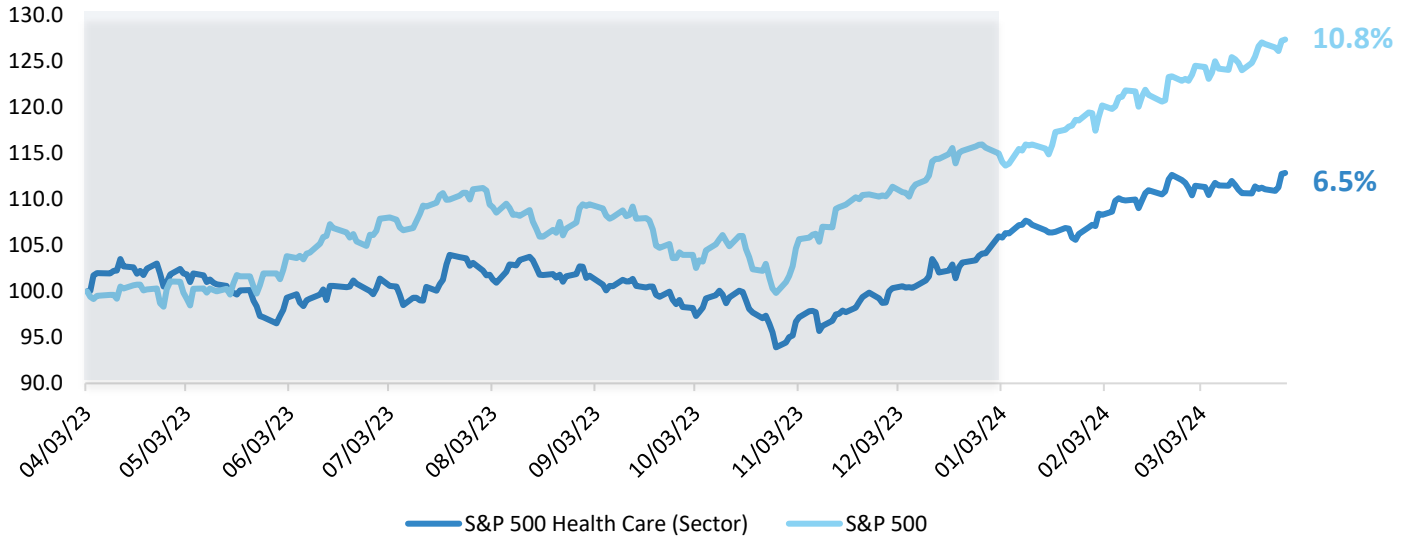
EV/EBITDA



Public Markets

Index Performance

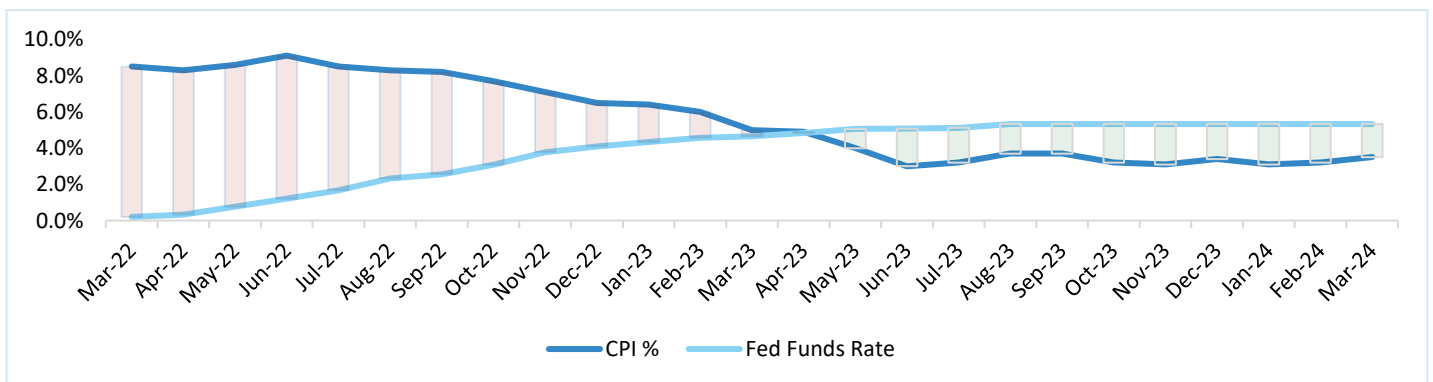
In Q1, the S&P 500 Healthcare Index increased by 6.5%, but was outperformed by a 10.8% increase in the S&P 500 over the same period.



Key External Drivers

Given the essential nature of many of the clinical services and medications included in the Healthcare sector, operators and clinicians in the sector tend to fare well in downturns compared to the overall market and are less impacted by declines in consumer spending.

The Federal Reserve is anticipated to initiate a series of rate cuts in 2H 2024, with policymakers considering three cuts starting as early as June, aiming to reduce the Fed funds rate from 5.25%-5.5% to 4.5%-4.75% by yearend 2024. This outlook, coupled with the latest above-expectations performance by the Magnificent Seven Stocks, has fueled public equity activity in Q1 2024. This quarter, the S&P 500 surged to 17 new record highs and has experienced a significant YoY increase of 27.4% since April 2023. The anticipated rate cuts are poised to increase M&A activity in the Healthcare sector by lowering the cost of capital required to finance acquisitions. Lower borrowing costs may narrow the gap between the price sellers are willing to accept and the proposed purchase price offered by buyers. Although we anticipate elevated M&A activity relative to 2023, we do not foresee M&A activity returning to the record-high levels seen in 2021.



Source: IBISWorld, S&P Global

Industry Trends

PE Healthcare Acquisition Probe

Controversy Surrounds Biden's Probe into Healthcare M&A by PE Firms

The Biden administration said it would probe whether the private equity industry is making healthcare cost more for Americans, the administration's latest crackdown on high consumer costs. This move to probe healthcare acquisitions by private equity firms raises concerns that such investigations could stifle innovation and investment in the healthcare sector, ultimately limiting options for patients and consumers.



Adoption of Laboratory Information Management Software (LIMS)

Streamlining Data Management

The rapid expansion of the LIMS industry has spurred widespread adoption of LIMS services among healthcare companies. These software platforms enable healthcare companies to streamline their data collection and analysis processes, leading to enhanced data accuracy and decreased time spent on data management.



Progress in IoT-Driven Hospitals and Telemedicine

Remote Care

The global network of Internet of Things (IoT) forges remote connection between healthcare professionals and patients, thereby allowing remote consultation. Progress with the network is expanding beyond the delivery of remote medicine to patient treatment. 2024 is seeing growth in virtual hospital wards – physical locations that monitor patients from their homes.



Mental Health Services Diversification

Service Diversification Driven by Market Growth

Diversification of mental health services is attributable to industry competition, destigmatization of mental health issues, and an increase in VC and PE funding. Given its market growth, mental health services are broadening to encompass a wide spectrum, including counseling, therapy (individual, group, family), psychiatric consultations, crisis intervention, and peer support groups.



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.



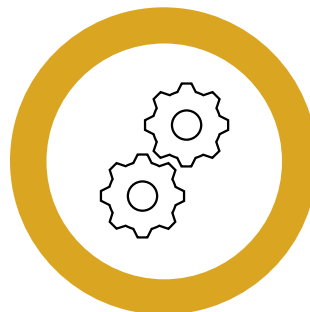
Buy-Side Advisory: Buy a business

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



Has been acquired by



All-Staff Nursing, Inc.

Has sold its assets to

Cooperative Attendant Services



Has sold substantially all of its assets to



Has been acquired by

MONTIEL ENTERPRISES



Has been acquired by

Gateway Dental Laboratory



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



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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.



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.

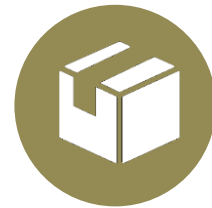
Industry Sectors Covered:



Healthcare



Transportation & Logistics



Packaging



Industrials



Tech-enabled Services



Food & Beverage

Disclaimer

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