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## Healthcare M&A Update

Q3 2024

# Healthcare M&A Update Q3 2024

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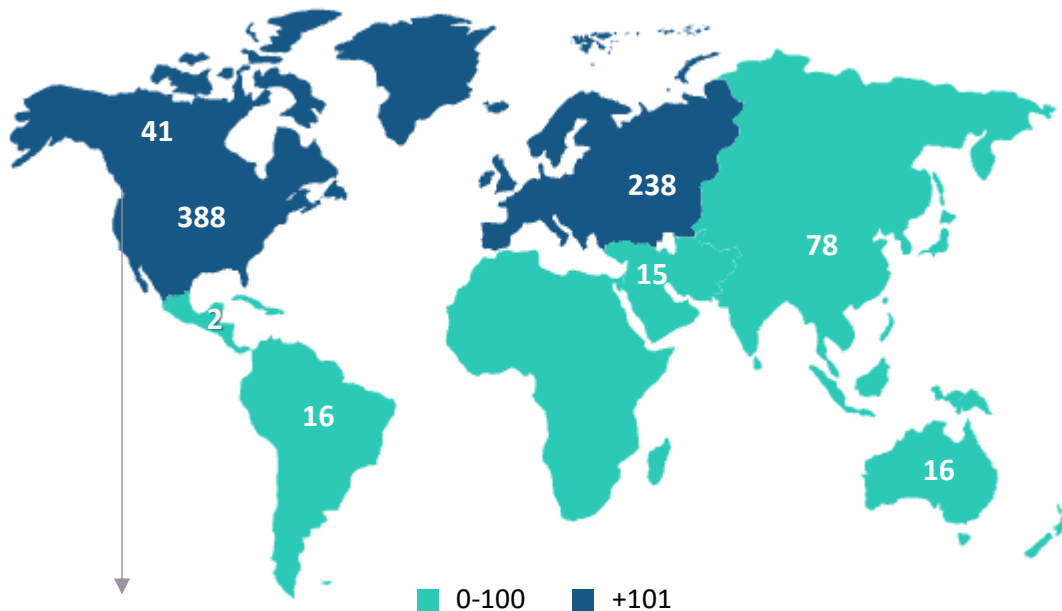
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## REPORT HIGHLIGHTS

- In Q3, the S&P 500 Healthcare Industry Index increased by 6.3% and outperformed the S&P 500, which increased by 5.3% over the same period.
- The median EV/EBITDA multiple for reported private equity deals decreased to 10.4x in 2024 from 17.6x in 2023, but increased for strategic deals to 26.3x from 17.2x in the prior year.
- M&A deal volume in the Healthcare sector increased 9.4% in Q3 to 794 deals from 726 deals in Q2, and increased 15.9% from 685 deals in Q3 of the prior year.
- As a % of total capital invested in M&A transactions, PE participation increased slightly in YTD Q3 to 20.5% from 18.1% in 2023.
- North America was the most active region in Q3 with 429 deals. Most notably in North America was AbbVie's \$8.7 billion acquisition of Cerevel Therapeutics, a Massachusetts-based provider of therapies to treat a range of neuroscience diseases, in August 2024.



Of the 794 deals in the Healthcare sector in Q3, North America was the most active with 429. A notable North American deal (in addition to the Cerevel Therapeutics deal mentioned on the previous page) was Eli Lilly and Company’s \$3.2 billion acquisition of Morphic Therapeutic, a Massachusetts-based biopharmaceutical company, in August 2024. Europe was the second most active with 238 transactions and all other regions combined for a total of 127 deals.



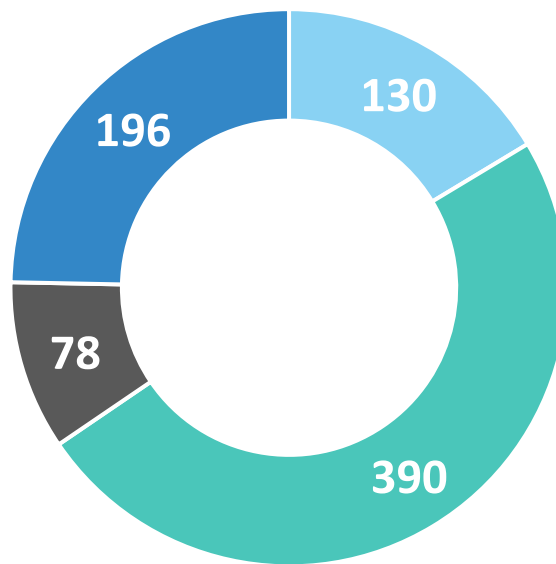
<b>Canada:</b>	<b>41</b>
<b>United States:</b>	<b>388</b>
Southeast:	89
Mid Atlantic:	73
West Coast:	59
Great Lakes:	54
Others:	113

In the U.S. market, the Southeast region was the most active area with 89 deals, followed by the Mid Atlantic with 73 closed transactions. Most notably in the Southeast region was Collegium Pharmaceutical’s \$646.0 million acquisition of Ironshore Therapeutics, a North Carolina-based developer of abuse-deterrent drugs, in September 2024. The West Coast and Great Lakes regions saw 59 and 54 transactions, respectively, and all other U.S. regions combined for a total of 113 completed deals.

Outside of the U.S. in the North American market, 41 transactions closed in the Canadian market in Q3 2024.

Of the 794 Healthcare deals in Q3, 390 deals were in the Healthcare Services subsector, making it the most active from an M&A volume standpoint. The Pharmaceuticals & Biotechnology and Healthcare Devices & Supplies subsectors saw 196 and 130 deals close, respectively, followed by the Healthcare Technology Systems subsector with 78 in the quarter.

## Deal by Subsector



Healthcare Services

Pharmaceuticals & Biotechnology

Healthcare Devices & Supplies

Healthcare Technology Systems

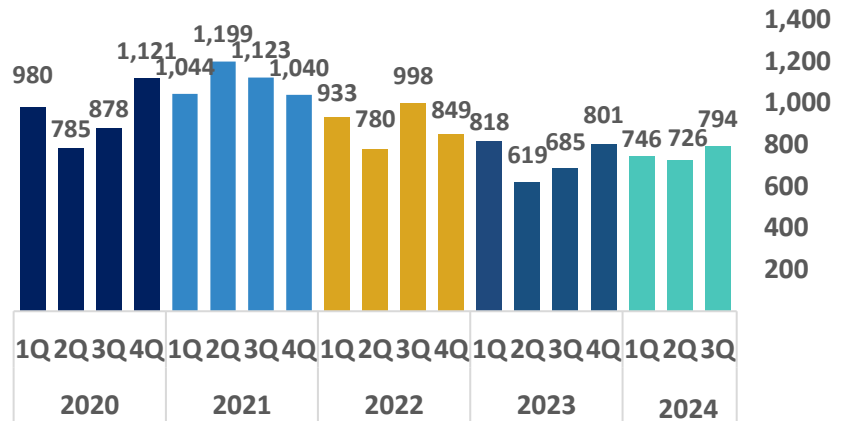


Deal volume in the Healthcare sector increased 9.4% in Q3 to 794 deals from 726 deals in Q2, and increased 15.9% from 685 deals in Q3 of the prior year. Q3 represents the third largest quarterly deal volume over the last two years.

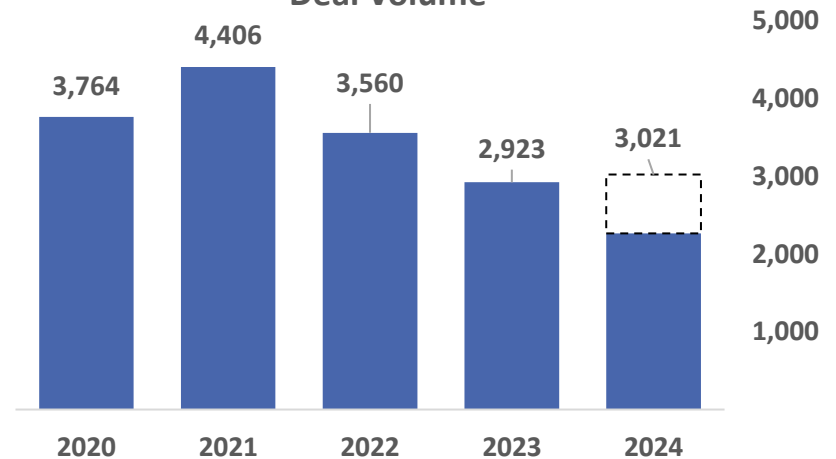
Based on activity through Q3, M&A deal volume is anticipated to increase 3.4% to 3,021 deals in 2024 from 2,923 in 2023. We attribute this uptick in deal volume to a more positive outlook on future market conditions in the coming quarters, with the Fed cuts in interest rates and the election moving to the rearview mirror.

Total capital invested in M&A deals in the sector decreased 14.0% in Q3 to \$51.8B from \$60.2B in Q2, and decreased 4.1% from \$54.0B in Q3 of the prior year. The decrease from the prior quarter is primarily due to Johnson & Johnson's \$13.1 billion acquisition of ShockWave Medical in May 2024. Comparatively, the largest deal in Q3 was the Cerevel Therapeutics deal for \$8.7 billion.

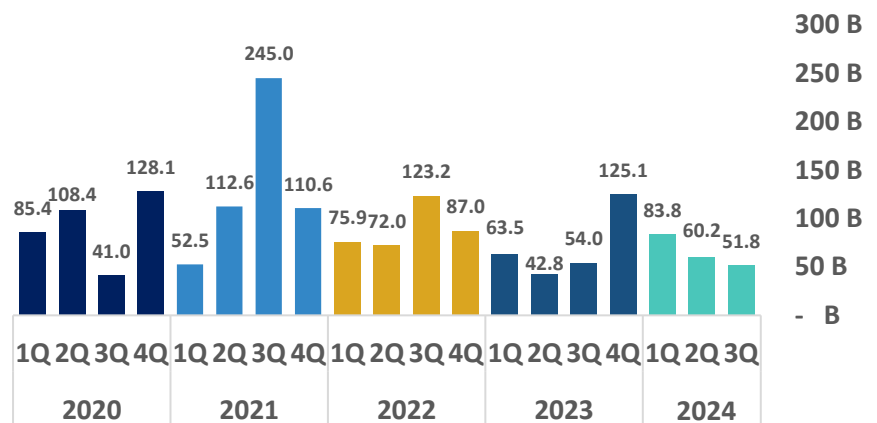
### Deal Volume



### Deal Volume

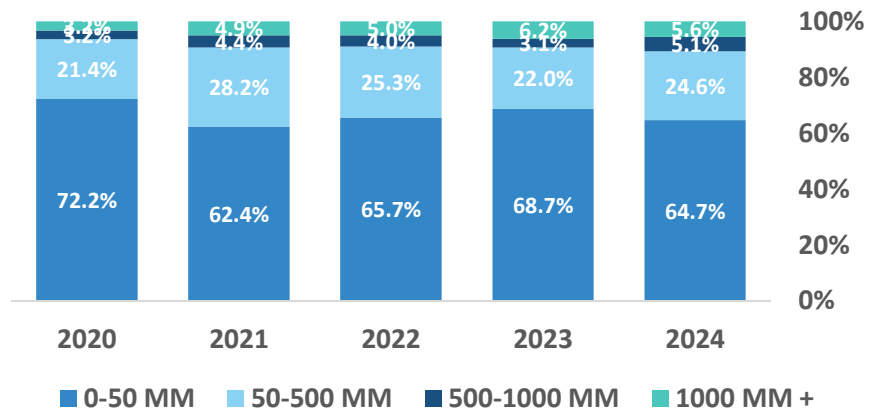


### Total Capital Invested



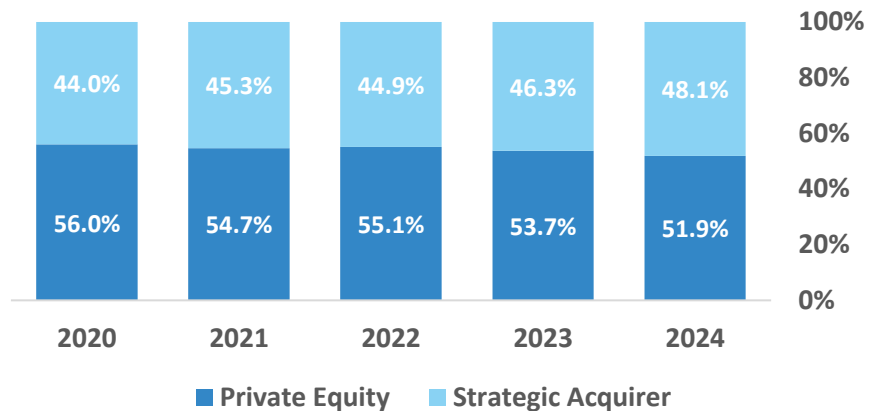
YTD through Q3, we generally saw a shift in mix towards larger-sized deals from the prior year, specifically in the middle market (\$50 - \$500 MM), which increased to 24.6% from 22.0% in 2023, while the upper middle market (\$500 - \$1000 MM) increased to 5.1% from 3.1% in the prior year. The lower middle (\$0 - \$50 MM) and large cap (\$1000 MM+) tranches of the market saw decreases to 64.7% and 5.6% in 2024 from 68.7% and 6.2% in 2023, respectively.

### Deal Volume by Deal Size



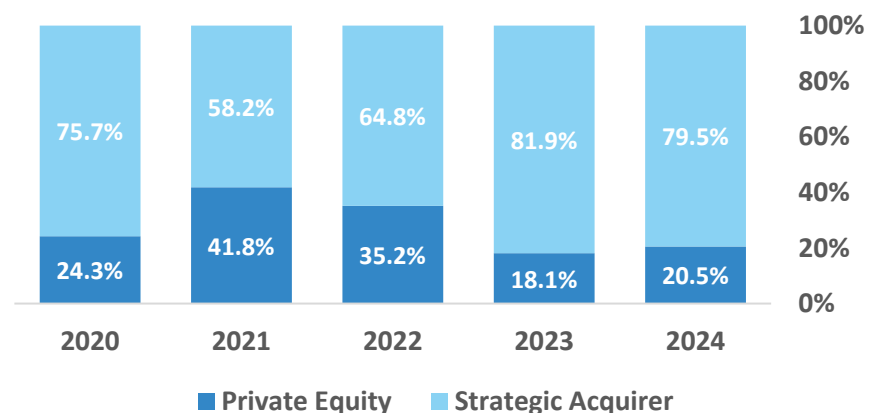
As a % of total deal volume, PE buyers have trended lower so far in 2024 relative to strategic buyers, representing 51.9% of deal volume in the sector compared to 53.7% in 2023. YTD Q3 2024 marks the lowest level of participation in the sector (from a volume standpoint) from PE buyers versus strategic buyers since 2020.

### Deal Volume by Acquirer



Despite the declining trend in deal volume, total capital invested by PE investors (as a % of overall capital invested) increased slightly in YTD 2024 to 20.5% from 18.1% in 2023, albeit still low relative to strategic buyers' share of capital invested. The four largest deals in Q3 were completed by strategic acquirers, which drove their % of capital invested higher relative to PE's share. The decrease in PE deal volume coupled with their low % of capital invested reflects PE's decreased appetite for investment in the Healthcare sector relative to strategic acquirers so far in 2024.

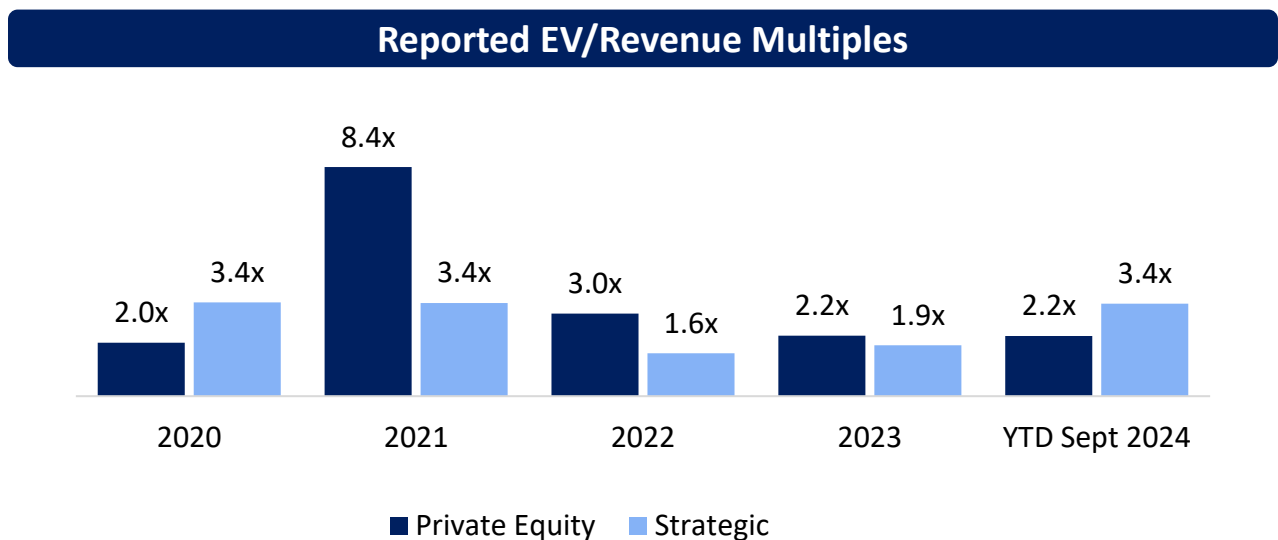
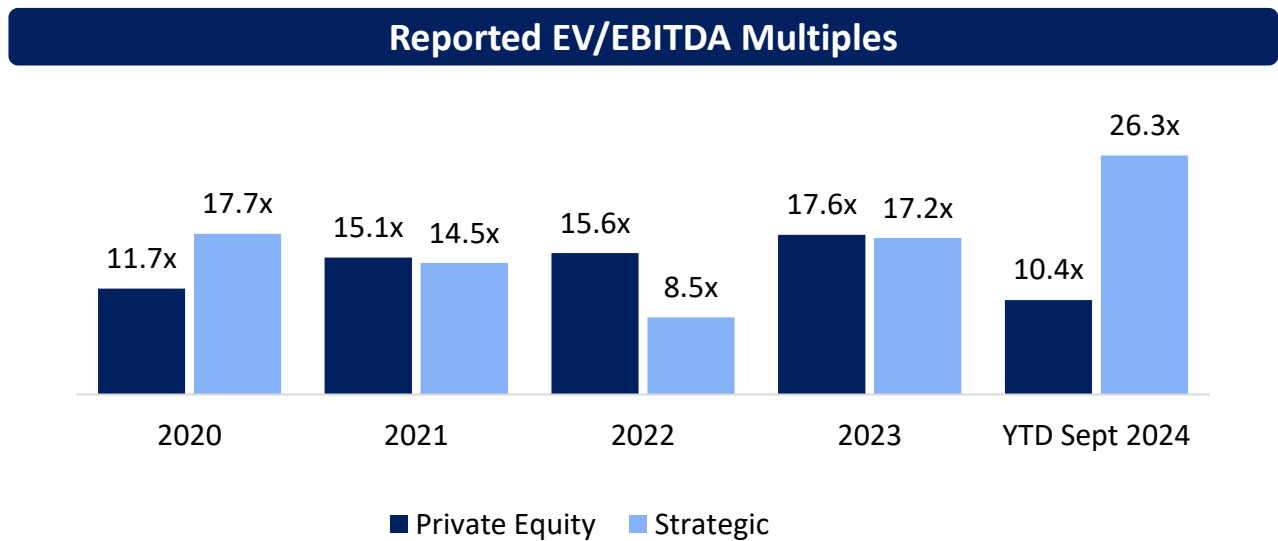
### Total Capital Invested by Acquirer


















The median EV/EBITDA multiple for reported private equity deals decreased to 10.4x in 2024 from 17.6x in 2023, but increased for strategic deals to 26.3x from 17.2x in the prior year.

The median EV/Revenue multiple for reported private equity deals decreased slightly to 2.2x in 2024 from 2.2x in 2023, but increased for strategic deals to 3.4x from 1.9x in the prior year.







2024 marks the lowest reported median EV/EBITDA multiple for PE in the past five years, but represents the highest reported median EV/EBITDA multiple for Strategic buyers over the same period.



## Active Strategic Investors

Investor	YTD Healthcare Inv.	Select Targets
	16	   
	7	   
	6	   


## Active Private Equity Investors

Investor	YTD Healthcare Inv.	Select Targets
	26	   
	24	   
	17	   

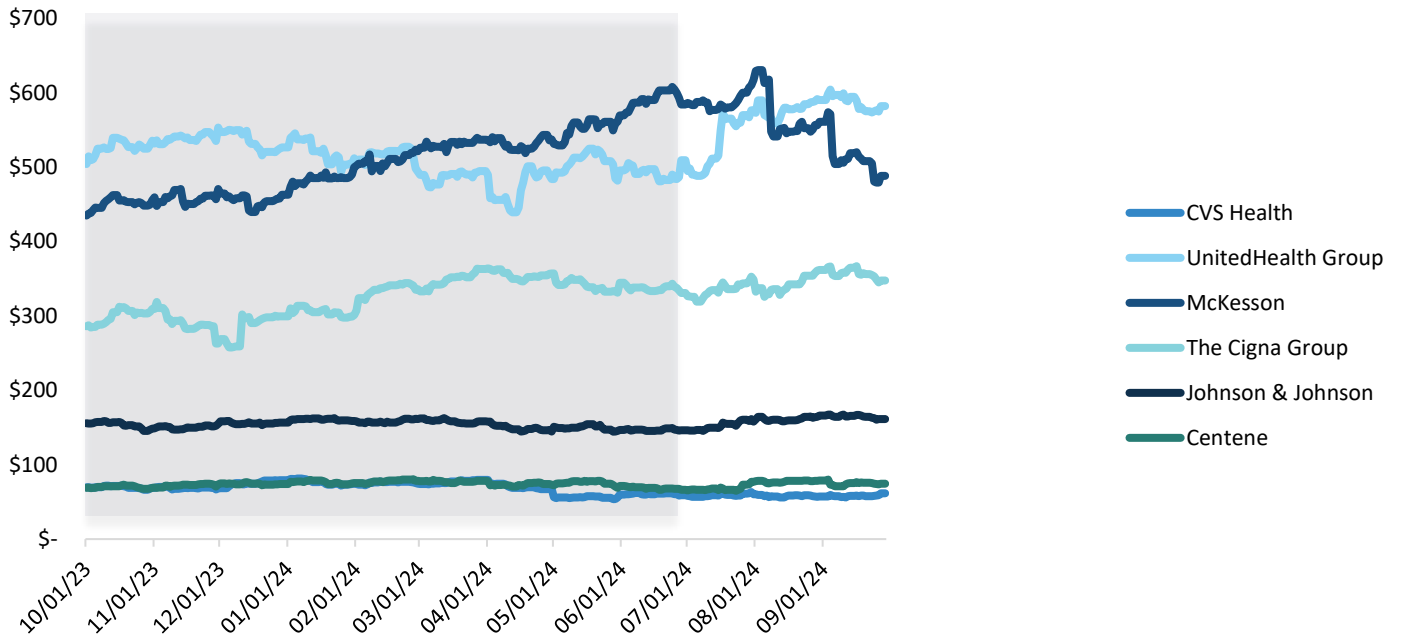


# Largest Deals (Disclosed)

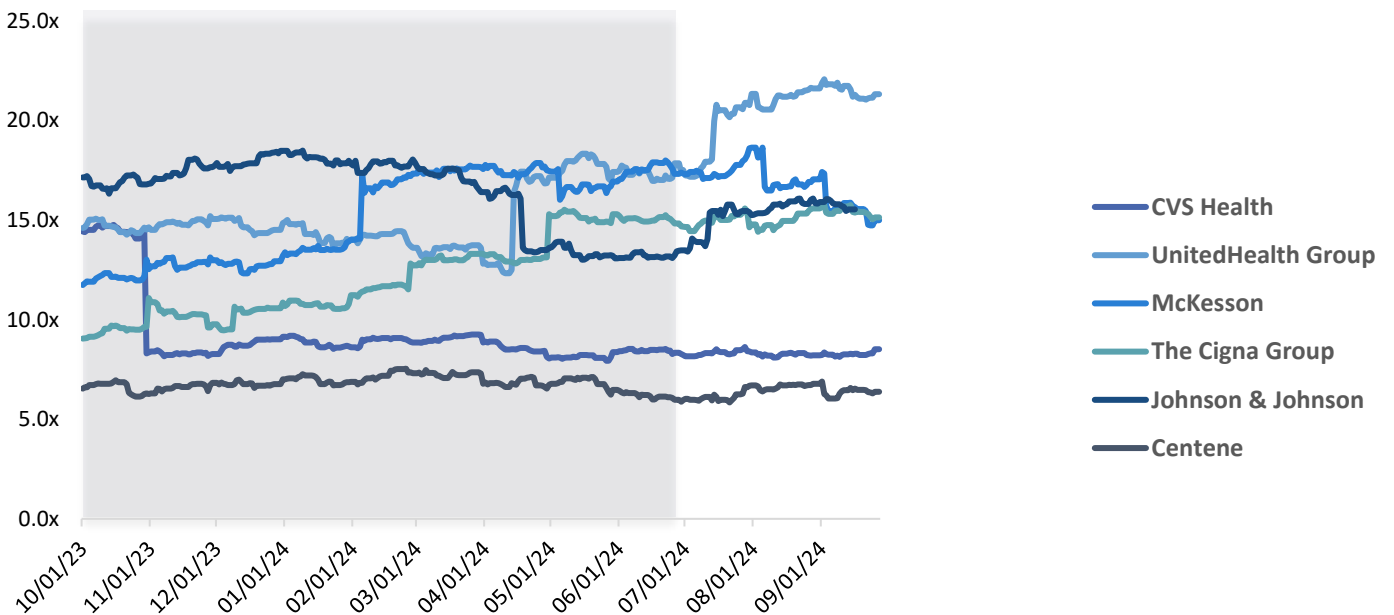
Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
26-Sep-2024	Island Hospital	IHH Healthcare	Merger/ Acquisition	\$ 907.7		26.32x	Provider of healthcare services intended to serve patients of all ages across Malaysia.
17-Sep-2024	Silk Road Medical	Boston Scientific	Merger/ Acquisition	1,260.0	5.68x		Operator of a medical device company focused on reducing the risk of stroke and its devastating impact.
30-Aug-2024	Calliditas Therapeutics	Asahi Kasei	Merger/ Acquisition	1,130.5	80.04x		Operator of a commercial-stage biopharma company focused on identifying, developing, and commercializing novel treatments in orphan indications.
26-Aug-2024	LifeLabs	Quest Diagnostics	Merger/ Acquisition	1,000.0			Provider of laboratory testing services intended to serve the healthcare sector.
16-Aug-2024	Morphic Therapeutic	Eli Lilly and Company	Merger/ Acquisition	3,200.0			Operator of a biopharmaceutical company applying its insights into integrins to discover and develop a pipeline of oral small-molecule integrin therapeutics.
01-Aug-2024	Cerevel Therapeutics	AbbVie	Merger/ Acquisition	8,700.0			Provider of five clinical-stage investigational therapies and several preclinical compounds with the potential to treat a range of neuroscience diseases
01-Aug-2024	Craft 1861 Global Holdings	Nano Cures	Merger/ Acquisition	1,849.0			Operator of a health and wellness company in the cannabinoid space.
01-Aug-2024	Ecolab	Abu Dhabi Investment Authority, Blackstone	Buyout/ LBO	950.0			Provider of surgical equipment intended for surgeons and patients.
29-Jul-2024	Nerio Therapeutics	Boehringer Ingelheim	Merger/ Acquisition	1,300.0			Operator of a biopharmaceutical company intended to empower phosphatase drug discovery for immunotherapy.
29-Jul-2024	MOLLI Surgical	Stryker	Merger/ Acquisition	984.9			Developer of surgical devices designed to conduct breast cancer treatments.
18-Jul-2024	CellmAbs Biopharmaceuticals	BioNTech	Merger/ Acquisition	1,000.0			Developer of therapeutic cancer drugs designed to deliver cancer immunotherapies that prevent tumor cells from evading the immune system.
15-Jul-2024	Amolyt Pharma	AstraZeneca	Merger/ Acquisition	1,050.0			Operator of a clinical-stage biotechnology company intended for the treatment of endocrine and metabolic disorders.
12-Jul-2024	EyeBio	Merck & Co.	Merger/ Acquisition	3,000.0			Operator of an ophthalmology biotechnology company designed to develop vision therapy to protect, restore, and improve vision.
11-Jul-2024	Yellow Jersey Therapeutics	Johnson & Johnson	Merger/ Acquisition	1,250.0			Producer of pharmaceutical substances based in Zürich, Switzerland.
09-Jul-2024	Elanco Aqua	Merck & Co.	Merger/ Acquisition	1,300.0			Manufacturer of vaccines and pharmaceutical products intended to serve marine and freshwater aquaculture producers.
08-Jul-2024	Olink Proteomics	Thermo Fisher Scientific	Merger/ Acquisition	3,100.0	17.50x		Provider of a Proximity Extension Assay technology, which enables researchers to use one platform for discovery to clinical trials to diagnostic applications.
03-Jul-2024	Viatrix	Avista Healthcare Partners, Coopéracion Pharmaceutique	Buyout/ LBO	2,170.0			Manufacturer of over-the-counter drugs intended to serve the healthcare sector.
02-Jul-2024	HI-Bio	Biogen	Merger/ Acquisition	1,150.0			Developer of precision medicines intended to treat people suffering from autoimmune and inflammatory diseases.
Mean				1,961.2	34.41x	26.32x	
Median				1,255.0	17.5x	26.32x	
High				8,700.0	80.04x	26.32x	
Low				907.7	5.68x	26.32x	

Target	Investor	Driver	Deal Synopsis
 cerevel	 abbvie	<b>Merger/ Acquisition</b>	Cerevel Therapeutics, a Massachusetts-based biotech company, was acquired by AbbVie for \$8.7 billion in August 2024. This acquisition strengthens AbbVie's foundation in neuroscience and positions them to deliver sustainable long-term performance.
 MORPHIC	 Lilly	<b>Merger/ Acquisition</b>	Morpnic Therapeutic, a Massachusetts-based operator of a biopharma company, was acquired by Eli Lilly and Company ("Lilly") for \$3.2 billion in August 2024. The partnership reinforces Lilly's commitment to developing new therapies in the field of gastroenterology, where it has made significant investments to deliver first-in-class molecules for the benefit of patients.
 Olink	 ThermoFisher SCIENTIFIC	<b>Merger/ Acquisition</b>	In July 2024, Thermo Fisher Scientific ("TFS") acquired Olink Proteomics ("OP"), a Swedish provider of protein biomarker analysis tools, for \$3.1 billion. The acquisition enhances TFS' capabilities in the high-growth proteomics market and accelerates OP's protein biomarker discovery capabilities.
 EyeBio	 MERCK	<b>Merger/ Acquisition</b>	EyeBio, a UK-based ophthalmology biotech company, was acquired by Merck & Co. ("Merck") for \$3.0 billion in July 2024. The purchase further diversifies Merck's late-stage pipeline with a novel biology and genetics-based retinal disease treatment.

## Stock Price

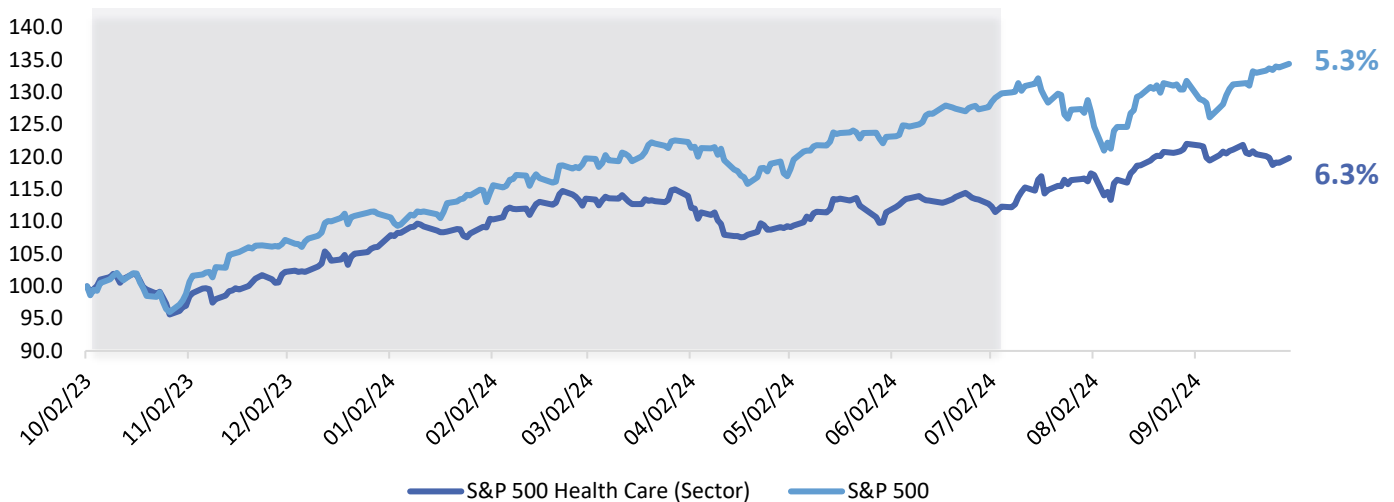


## EV/EBITDA



## Index Performance

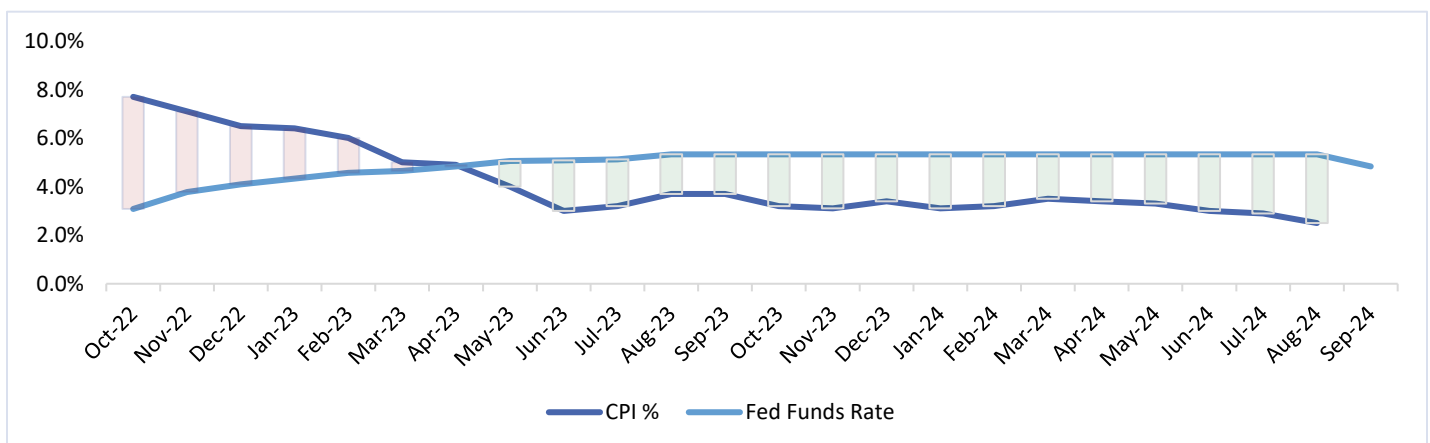
The S&P 500 Healthcare Industry Index increased by 6.3% and outperformed the S&P 500, which increased by 5.3% over the same period.



## 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 experience less volatility than the overall market and are less impacted by declines in consumer spending.

The Federal Reserve implemented its first interest rate cut in more than four years following a mid-September meeting, lowering the federal funds rate by 0.50%. This marks the start of what many economists predict will be a series of cuts over the next 1-2 years. The decision comes after a year of holding rates steady in the 5.25% to 5.50% range, following 11 rate hikes between March 2022 and July 2023 aimed at combating record inflation. With inflation now closer to the Fed’s 2% target, many experts anticipate further rate cuts through 2025. This move could ease borrowing costs, potentially narrowing the gap between seller expectations and buyer offers in M&A transactions, which may lead to increased deal volume.



## *Emerging trends in the Healthcare M&A space:*



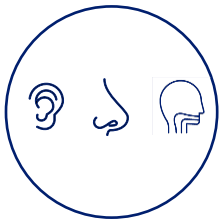
### **Weight-Loss Drugs**

#### *Obesity drugs becoming popular*

As consumers seek healthier lifestyles, weight-loss solutions increase in demand with GLP-1 drugs selling 9 million prescriptions in the final months of 2022 alone. With demand expected to increase, projections forecast over \$100 billion in sales by the end of the decade as an expected 9% of the US population become users of the obesity drug.

### **ENT Devices**

#### *Hearing aids segment is expected to account for fastest growth rate*



The demand for hearing aids is increasing due to the increasing population with hearing loss. Per a 2024 report by the World Health Organization, 700 million people will need hearing rehabilitation by 2050 and nearly 2.5 billion people will have some degree of hearing loss. Due to unsafe listening habits, over 1 billion young adults are at risk of developing permanent, preventable hearing loss. Additionally, small, discreet, behind-the-ear hearing aids are anticipated to drive demand from younger populations.

### **Physician Shortage**

#### *The physician shortage isn't going anywhere*



Healthcare organizations are grappling with the increasingly difficult task of attracting and retaining physician talent to meet the increasing demand for patient care. By the end of this year, the United States is expected to have a shortage of up to 64,000 physicians. The COVID-19 pandemic exacerbated the already substantial burnout among physicians and contributed to an unprecedented departure of physicians from the clinical workforce.

### **Industry Threats**

#### *More sophisticated cybercrime threatens healthcare practices*



Since the start of the pandemic, we've seen a surge in not only the number of fraud attempts but also their reach and complexity. Attackers know that health companies hold sensitive patient information. Privacy laws make a breach an even greater concern for healthcare companies. Cybercriminals can virtually hold hospitals, health service centers and patients captive. These disruptions could destroy critical business functions and put patients' care in danger.



## Proven, Professional, Principled.

Investment Bankers for the Middle Market

### About

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 280 transactions in a variety of industries including Healthcare, Transportation & Logistics, Packaging, Food & Consumer, Industrials, Business Services, 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.

### Our Clients

**\$10 - 250MM**  
Revenue

**\$2 - 20MM**  
EBITDA

**Middle Market**  
Privately Owned

### Industries Served



Healthcare



Tech-Enabled  
Services



Plastics &  
Packaging



Industrials



Transportation  
& Logistics



Food &  
Consumer





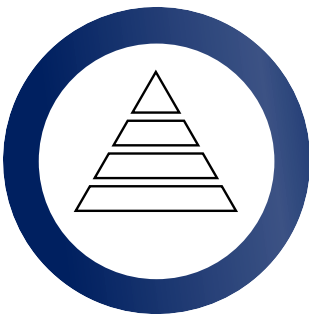
## **Sell-Side Advisory: Sell your business**

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.



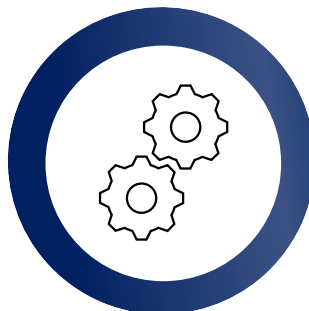
## **Buy-Side Advisory: Buy a business**

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.

Below are two recent transactions facilitated by R.L. Hulett, showcasing our expertise in the Healthcare sector. Each transaction exemplifies our commitment to delivering exceptional value and strategic growth for our clients.



have been acquired by

Bain Capital *Ventures*



**The Seller:** The Corner Pharmacy operates retail pharmacies located in hospitals to provide a convenient resource for hospital in-patient and outpatient discharges, hospital-affiliated Ambulatory Surgery Centers (ASCs), and clinical visits to hospital-affiliated physician offices located in Medical Office Buildings.

**The Buyer:** Bain Capital Ventures is the Boston-based venture capital affiliate of Bain Capital. Founded in 1984, Bain Capital Ventures has made investments in over 110 early and growth-stage companies. Bain Capital Ventures currently has \$2 billion under management and invests in business services, consumer, healthcare, internet & mobile, and software companies.

**Transaction Rationale:** The Corner Pharmacy will use the investment proceeds to fund the continued expansion of its business and for general corporate purposes.



have been acquired by




**The Seller:** All-Staff Nursing, Inc. (“ASN”), located in the St. Louis metropolitan area, is a specialized provider of supplemental staffing services for long-term care facilities. Since its establishment in September 1990, All-Staff Nursing has been dedicated to addressing the temporary staffing needs of healthcare organizations, particularly nursing homes. Their primary focus is on supplying highly qualified healthcare professionals, including Registered Nurses, Licensed Practical Nurses, and Certified Nurse Assistants.

**The Buyer:** Founded in 1986, Cooperative Home Care (“CHC”) is a trusted provider of healthcare staffing and home care services in St. Louis, Missouri. The company provides nurse staffing and palliative home care services under Medicaid, Medicare and private pay programs.



**Transaction Rationale:** The acquisition of ASN expands CHC into the Illinois market.




Over the years, R.L. Hulett has completed hundreds of transactions in a wide variety of industries. Below are several representative transactions. Please note that this list is not comprehensive.





Has been acquired by




Has sold substantially all of its assets to



Has been acquired by




Has sold substantially all of its assets to



Has been acquired by

MONTIEL ENTERPRISES



Has been acquired by

Gateway Dental Laboratory





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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.



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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.



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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.



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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 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.



***Trusted Advisors. Tenacious Advocates.***

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