

ADDICUS



CAPITAL ADVISORS

Healthcare Market Update

THIRD QUARTER 2023

Healthcare Services Industry Overview

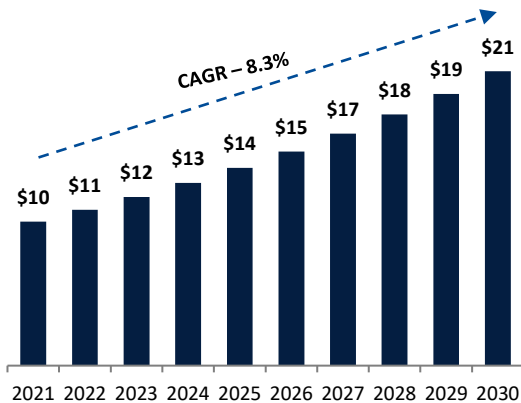


The industry is rapidly embracing health-focused technology and cloud-based services, while house calls are making a comeback through remote patient monitoring and at-home diagnostic tests to offset increasing costs.

Overview

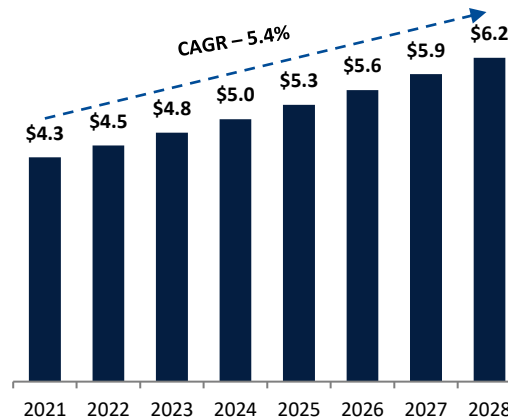
- The increase in healthcare spending over the years is directly proportional to adopting value based home healthcare services to offset costs.
- U.S. companies are increasingly establishing partnerships with manufacturers, payers, and provider organizations. These alliances enable them to collaboratively create programs and solutions. For instance, the collaboration between Humana and Lily involved analyzing claims data to understand the impact of drug interventions on expenses.
- Value-based partnerships aim to maximize value by improving patient outcomes relative to total costs for the healthcare system and society.

Global Healthcare Services Market (\$TN)



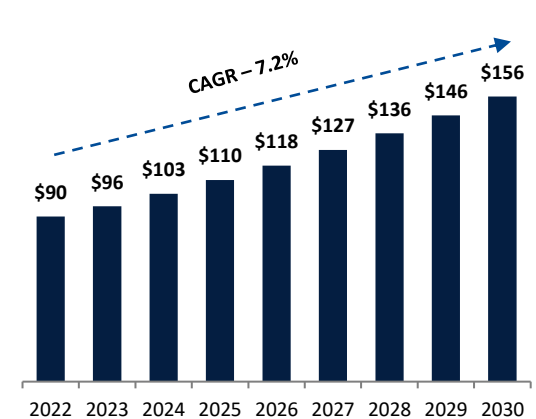
- Healthcare services thrive with aging populations, tech advances, and improved lifestyles.
- Emerging trends include bundled payments, digital tools, cross-industry partnerships, innovation, and hybrid imaging.

U.S. National Healthcare Expenditure (\$TN)



- From 2022 to 2031, NHE is projected to grow at 5.4 percent annually, outpacing the 4.6 percent GDP growth. This will increase the health spending share of GDP from 18.3 percent in 2021 to 19.6 percent in 2031.

U.S. Home Healthcare Services (\$BN)



- The growing geriatric population, rising prevalence of age-related issues, increasing chronic conditions, and changing patient preferences are all fueling the market's growth in healthcare services.

Medical Devices & Equipment Industry Overview

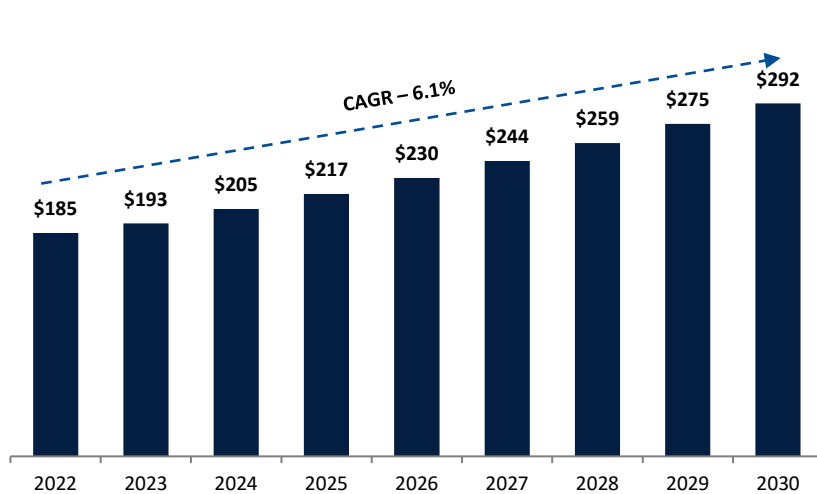


The medical devices market is on a trajectory of growth, driven by factors such as an aging population, continuous technological advancements, the increasing importance of effective chronic disease management, and a favorable regulatory environment.

Overview

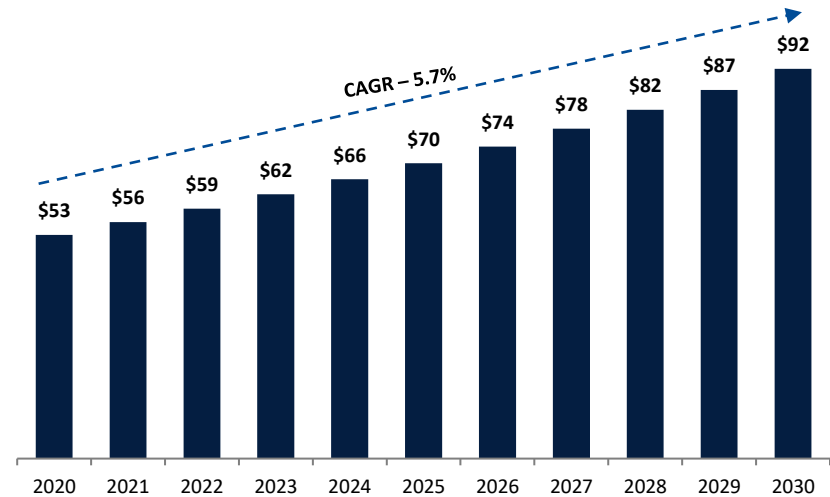
- The industry is prioritizing AI and machine learning advancement with a prime focus on ESG factors.
- The medical devices and equipment industry is strengthening its supply chain resilience by surfacing potential vulnerabilities and establishing mitigation plans.
- The market is fiercely competitive, featuring numerous companies manufacturing and distributing medical devices both within the US and globally.
- The medical devices market has seen significant recent developments, with innovations such as Remote Patient Monitoring (RPM) devices, 3D printing, Artificial Intelligence (AI), and Nanotechnology playing pivotal roles.

U.S. Medical Devices Market (\$BN)



- The rise in chronic and lifestyle diseases has prompted healthcare agencies, governments, and providers to prioritize timely and routine patient treatment.
- In response to rising demand for advanced devices, companies are investing in R&D for sustainable equipment. This has resulted in more advanced device launches and expanded market presence, driving growth.












U.S. Durable Medical Equipment Market (\$BN)



- The market is primarily fueled by increasing product demand, driven by the growing elderly population vulnerable to various chronic diseases like cancer, diabetes, cardiovascular diseases (CVDs), neurological disorders, and mobility issues.
- DME suppliers face challenges in serving patients needing respiratory support and other services.




Healthcare Services M&A Deals



Date	Target	Buyer	EV / Revenue	EV / EBITDA	Target Description
Feb-23	 Oak St. Health	 CVS Health	4.9x	CONF	Provides healthcare services to the patients in the United States. It operates primary care centers for Medicare.
Nov-21	 FOUNDATIONS by Change, LLC	 Novamind	CONF	CONF	Operates outpatient mental health clinics.
Jul-21	Eight Clinic Physical Therapy Practice	 USPh ONE PARTNER	2.2x	CONF	Eight clinic physical therapy practice comprises outpatient physical therapy clinics.
Jun-21	 Tenet Health	 Steward Steward Health Care System	0.1x	CONF	Operates a collection of hospitals and over 550 ambulatory surgery centers.
Apr-21	Five Clinic Physical Therapy Practice	 USPh ONE PARTNER	1.3x	CONF	Five clinic physical therapy practice comprises five physical therapy clinics.
Feb-21	 RIVERCITY MEDICAL GROUP	 Skylight HEALTH	0.7x	4.1x	Operates a network of clinics.
Dec-20	Portfolio of 45 Ambulatory Surgery Centers in United States	 United Surgical Partners INTERNATIONAL	CONF	CONF	Portfolio of 45 Ambulatory Surgery Centers in United States comprises ambulatory surgery centers.





















Healthcare Services M&A Deals (cont.)



Date	Target	Buyer	EV / Revenue	EV / EBITDA	Target Description												
Apr-19	Five Clinic Physical Therapy Practice		CONF	CONF	Owns and operates clinics in Chicago.												
Jul-18			CONF	CONF	Owns and operates community hospitals, regional health systems, physician practices, outpatient centers, and post-acute facilities in the United States.												
		<table border="1"> <tbody> <tr> <td>25th Percentile</td> <td>0.7x</td> <td>4.1x</td> </tr> <tr> <td>Mean</td> <td>1.8x</td> <td>4.1x</td> </tr> <tr> <td>Median</td> <td>1.3x</td> <td>4.1x</td> </tr> <tr> <td>75th Percentile</td> <td>2.2x</td> <td>4.1x</td> </tr> </tbody> </table>		25th Percentile	0.7x	4.1x	Mean	1.8x	4.1x	Median	1.3x	4.1x	75th Percentile	2.2x	4.1x		
25th Percentile	0.7x	4.1x															
Mean	1.8x	4.1x															
Median	1.3x	4.1x															
75th Percentile	2.2x	4.1x															






Medical Equipment M&A Deals



Date	Target	Buyer	EV / Revenue	EV / EBITDA	Target Description
Jun-23	 CONFORMIS	 restor3d	0.3x	CONF	Medical technology company which develops, manufactures, and sells patient-specific products and instrumentation.
Jun-23	 angiodynamics	 MERITMEDICAL	3.1x	CONF	Comprises medical, surgical, and diagnostic devices.
Nov-22	 apollo endosurgery	 Boston Scientific	8.1x	CONF	Medical technology company that focuses on the design, development, and commercialization of medical devices for gastrointestinal therapeutic endoscopy.
Nov-22	 ABIOMED	 Johnson & Johnson	16.1x	CONF	Engages in the research, development, and sale of medical devices.
Oct-22	 Franchise GLOBAL HEALTH	 FLORA GROWTH	CONF	CONF	Sells pharmaceutical products, medical devices, cannabis, and cannabis products.
Jun-22	 NorCal Respiratory	 quipt home medical	CONF	CONF	Provides health care equipment.
Oct-21	 Lighthouse Imaging	 POC Precision Optics Corporation	0.6x	12.3x	Comprises business of medical device manufacturing.
May-21	 obp	 CooperSurgical	6.0x	CONF	Develops and manufactures single-use, self-contained, illuminating medical devices.
Apr-21	 REV1 Filmecc ENGINEERING	 Filmecc USA	4.8x	CONF	Designs, develops, and markets medical devices for interventional cardiology, structural heart, neuromodulation, and drug and device combination products.
Mar-21	 Bioness LiveOn	 bioventus	2.8x	CONF	Designs, develops, and distributes medical devices for people with stroke, multiple sclerosis, traumatic brain injury, cerebral palsy, and spinal cord injury.

Medical Equipment M&A Deals (cont.)



Date	Target	Buyer	EV / Revenue	EV / EBITDA	Target Description
Mar-21		H&F	1.2x	CONF	Develops, manufactures, and sells interventional medical devices for the treatment of cardiovascular, endovascular, and biliary stent.
Dec-20			11.7x	CONF	Medical device company which develops minimally invasive therapeutic devices for interventional oncology procedures.
Aug-20			5.1x	CONF	Designs, manufactures, sells, and services medical devices and software products for treating cancer and other medical conditions.
		25th Percentile	2.0x	12.3x	
		Mean	5.4x	12.3x	
		Median	4.8x	12.3x	
		75th Percentile	7.0x	12.3x	

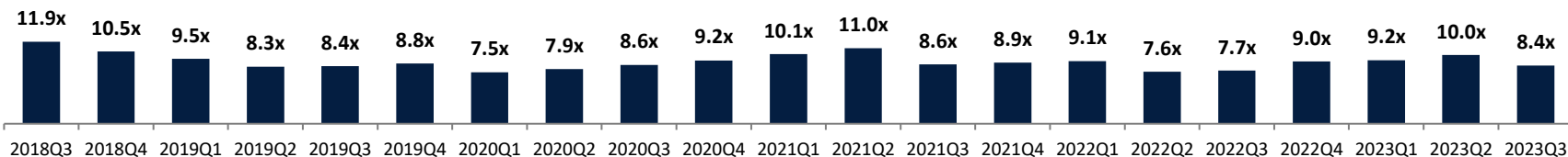
Comparable Healthcare Public Companies



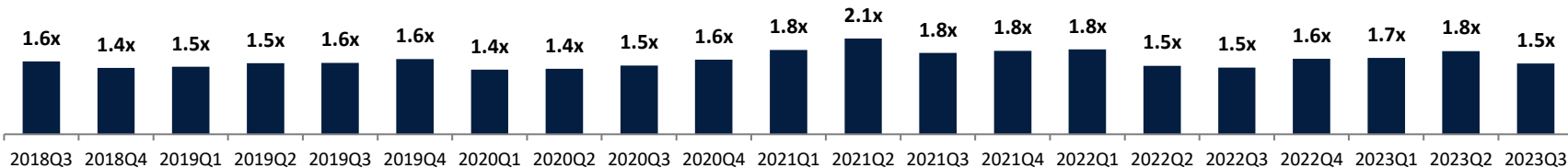
Healthcare Services	Market	LTM Results			LTM Margins		1Yr FWD Margins		TEV / LTM:		TEV / 1Yr FWD:	
		Cap	Revenue	EBITDA	Gross	EBITDA	Gross	EBITDA	Revenue	EBITDA	Revenue	EBITDA
HCA Healthcare, Inc.	\$ 66,191	\$ 61,920	\$ 13,279	38.7%	21.4%	38.7%	19.6%	1.8x	8.2x	1.7x	8.4x	
Tenet Healthcare Corporation	\$ 6,218	\$ 20,110	\$ 4,109	37.6%	20.4%	37.6%	16.7%	1.2x	5.8x	1.2x	6.9x	
Universal Health Services	\$ 8,612	\$ 13,799	\$ 1,873	39.0%	13.6%	39.0%	12.2%	1.0x	7.3x	0.9x	7.7x	
Community Health Systems, Inc.	\$ 375	\$ 12,390	\$ 1,579	40.2%	12.7%	40.2%	12.5%	1.1x	8.5x	1.1x	8.5x	
Select Medical Holdings Corporation	\$ 3,111	\$ 6,489	\$ 1,082	18.8%	16.7%	18.8%	12.5%	1.3x	7.6x	1.2x	9.7x	
Surgery Partners, Inc.	\$ 3,426	\$ 2,662	\$ 598	22.7%	22.4%	22.7%	15.9%	2.8x	12.5x	2.6x	16.3x	

25th Percentile	21.7%	13.4%	21.7%	12.4%	1.1x	7.0x	1.0x	7.5x
Mean	32.8%	17.9%	32.8%	14.9%	1.5x	8.3x	1.4x	9.6x
Median	38.2%	18.6%	38.2%	14.2%	1.2x	7.9x	1.2x	8.5x
75th Percentile	39.3%	21.7%	39.3%	17.4%	2.0x	9.5x	1.9x	11.4x

Quarterly EV / EBITDA Trend



Quarterly EV / Revenue Trend



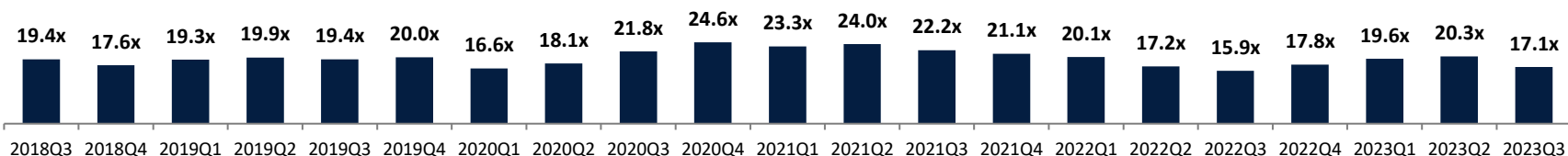
Comparable Healthcare Public Companies (cont.)



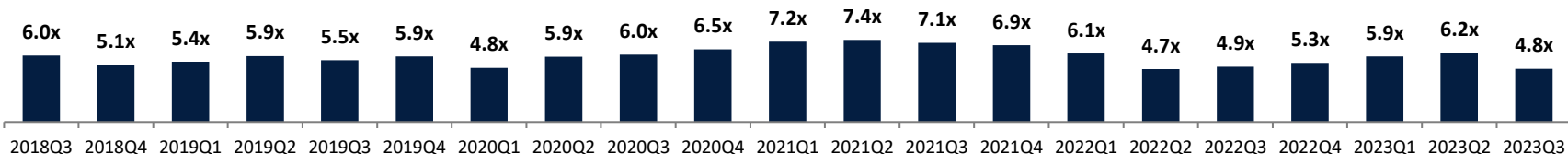
Medical Equipment	Market	LTM Results			LTM Margins		1Yr FWD Margins		TEV / LTM:		TEV / 1Yr FWD:	
	Cap	Revenue	EBITDA	Gross	EBITDA	Gross	EBITDA	Revenue	EBITDA	Revenue	EBITDA	
Becton, Dickinson and Company	\$ 75,347	\$ 19,046	\$ 5,011	45.6%	26.3%	45.6%	27.9%	4.8x	18.2x	4.6x	16.3x	
Boston Scientific Corporation	\$ 75,481	\$ 13,400	\$ 3,476	69.1%	25.9%	69.1%	28.6%	6.3x	24.4x	5.8x	20.2x	
Mettler-Toledo International Inc.	\$ 23,874	\$ 3,954	\$ 1,300	59.3%	32.9%	59.3%	33.1%	6.6x	20.0x	6.5x	19.8x	
Teleflex Incorporated	\$ 9,186	\$ 2,899	\$ 815	55.7%	28.1%	55.7%	29.5%	3.6x	13.0x	3.5x	11.9x	
Bruker Corporation	\$ 9,218	\$ 2,715	\$ 608	51.6%	22.4%	51.6%	22.5%	3.7x	16.3x	3.4x	14.9x	
Penumbra, Inc.	\$ 8,881	\$ 938	\$ 91	63.1%	9.7%	63.1%	11.5%	9.5x	NM	7.7x	NM	
ICU Medical, Inc.	\$ 2,861	\$ 2,294	\$ 310	32.5%	13.5%	32.5%	16.7%	1.9x	14.1x	1.9x	11.4x	
Integra LifeSciences Holdings Corporation	\$ 3,056	\$ 1,545	\$ 399	62.6%	25.8%	62.6%	25.6%	2.8x	10.9x	2.7x	10.6x	
CONMED Corporation	\$ 2,987	\$ 1,139	\$ 167	54.4%	14.7%	54.4%	20.3%	3.5x	24.0x	3.1x	15.4x	
LeMaitre Vascular, Inc.	\$ 1,224	\$ 177	\$ 43	64.4%	24.3%	64.4%	25.2%	6.5x	26.7x	5.7x	22.7x	
SI-BONE, Inc.	\$ 826	\$ 124	\$ (42)	82.7%	(33.6%)	82.7%	(14.9%)	5.6x	NM	4.9x	NM	
Treace Medical Concepts, Inc.	\$ 738	\$ 167	\$ (35)	80.3%	(21.1%)	80.3%	(11.4%)	4.0x	NM	3.1x	NM	
IRadimed Corporation	\$ 538	\$ 60	\$ 18	76.3%	30.2%	76.3%	0.0%	8.3x	27.3x	7.2x	NM	
Zynex, Inc.	\$ 289	\$ 177	\$ 28	79.7%	15.6%	79.7%	14.0%	1.7x	10.9x	1.4x	10.1x	
Quipt Home Medical Corp.	\$ 201	\$ 189	\$ 45	73.0%	23.8%	73.0%	23.3%	1.5x	6.1x	1.0x	4.5x	
Utah Medical Products, Inc.	\$ 315	\$ 52	\$ 27	61.8%	52.5%	61.8%	NA	4.4x	8.5x	NM	NM	

25th Percentile	54.7%	13.8%	54.7%	11.5%	3.0x	10.9x	2.7x	10.6x
Mean	63.3%	18.2%	63.3%	16.8%	4.7x	16.9x	4.2x	14.4x
Median	62.9%	24.0%	62.9%	22.5%	4.2x	16.3x	3.5x	14.9x
75th Percentile	75.5%	27.7%	75.5%	27.9%	6.5x	24.2x	5.8x	19.8x

Quarterly EV / EBITDA Trend



Quarterly EV / Revenue Trend



ADDICUS

PRIVATE WEALTH
CAPITAL ADVISORS
PRIVATE EQUITY
CONSULTING GROUP



Jon Campbell
Managing Director

jon.campbell@addicusadvisors.com

205.520.4503



Chris Lewis
Managing Director

christopher.lewis@addicusadvisors.com

662.701.8961

This material has been prepared by Addicus Capital Advisors in better understanding transactions of the type described herein. The market trends, data, industry analysis and corresponding discussions set forth in this material are based upon information provided by third party sources. Addicus Capital Advisors has not assumed any responsibility for independently verifying the accuracy of such information and disclaims any liability with respect to the information herein.

This material, and any advice Addicus Capital Advisors may provide to you, may include certain forward-looking statements that are based on our beliefs and assumptions about certain companies, markets or industries, and on information currently available to us.

Forward-looking statements include all statements that are not historical facts and can be, but are not always, identified by the use of forward-looking terminology such as the words “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “may”, “will” or similar expressions. Forward-looking statements involve risks, uncertainties and assumptions. Actual results or outcomes may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements, and no forward-looking statements can be guaranteed.

You should understand that many important factors, in addition to those discussed herein, could cause forward-looking statements about a business, market or industry to ultimately be incorrect. These factors include, but are not limited to, (i) legal and regulatory risks and uncertainties, including changes in the laws, rules and regulations, (ii) changing competitive environments, (iii) changes in personnel or management within particular companies, (iv) technological change, (v) economic, political and other market conditions, and (vi) inaccuracies in our analysis of risks, factors and uncertainties or the ability of particular companies, markets or industries to develop strategies to deal with them.

Past trends and performance are not guarantees of future market activity, deal terms or performance; accordingly, Addicus Capital Advisors makes no representation, warranty or guaranty regarding any particular offer, deal term or transaction, or the outcome of or any returns related to any of the foregoing.

The analysis and discussion set forth in this material is general and intended for informational purposes only. It is not, and is not intended to be, investment advice. In any case, Addicus Capital Advisors is not making any representation regarding the suitability of any business, investment or financial decision for your particular circumstance, and any such decision should be made independently by you in consultation with your tax, financial and other legal advisors. Further, any advice we may provide is qualified in its entirety by our limited knowledge of the relevant facts and circumstances of your situation, and only represents a reasonable interpretation of currently available information, including without limitation the language of the relevant provisions of the Internal Revenue Code of 1986, as amended, and regulations and administrative guidance issued by the Department of the Treasury. Any advice we may ultimately provide is subject to change based on further administrative interpretations or the availability of additional information.

This material is provided as of the date hereof, and Addicus Capital Advisors assumes no obligation to update it or correct any information herein. This material is the property of Addicus Capital Advisors and is provided to you on a confidential basis. Absent Addicus Capital Advisors’ prior written consent, this material, whether in whole or in part, may not be copied, photocopied, or duplicated in any form by any means, or redistributed.