

M&A Update June 2021-June 2022

HealthCare



Summary

The Healthcare Industry is Making a Full Recovery After The Pandemic



M&A Volume Shows Strength Even as Uncertainty Persists

Global M&A in the healthcare industry took a huge hit with the onset of COVID in early 2020, but the second half of 2020 and the first two quarters of 2021 have seen a substantial rebound since then to all time highs in terms of numbers of transactions. Despite uncertainty due to inflation, supply chain issues, and COVID-19, health services remain strong during the first few months of 2022. Deal volume in health services was down 9% from the fourth quarter of 2021 till the first quarter of 2022, but volume displays strength when compared to the the previous 12 months. Deal volume in all sectors of health services showed a 5% increase in the year ending May 15 in comparison to the last 12 months. However, the value of the deals was down 17% to approximately \$176 billion for the time span. The increased deal volume was a result of rolled up transactions, driven by the desire to integrate fragmented subsections of the healthcare industry. The goal of these transactions is to create healthcare systems that can administer better quality patient care with the help of digital resources.

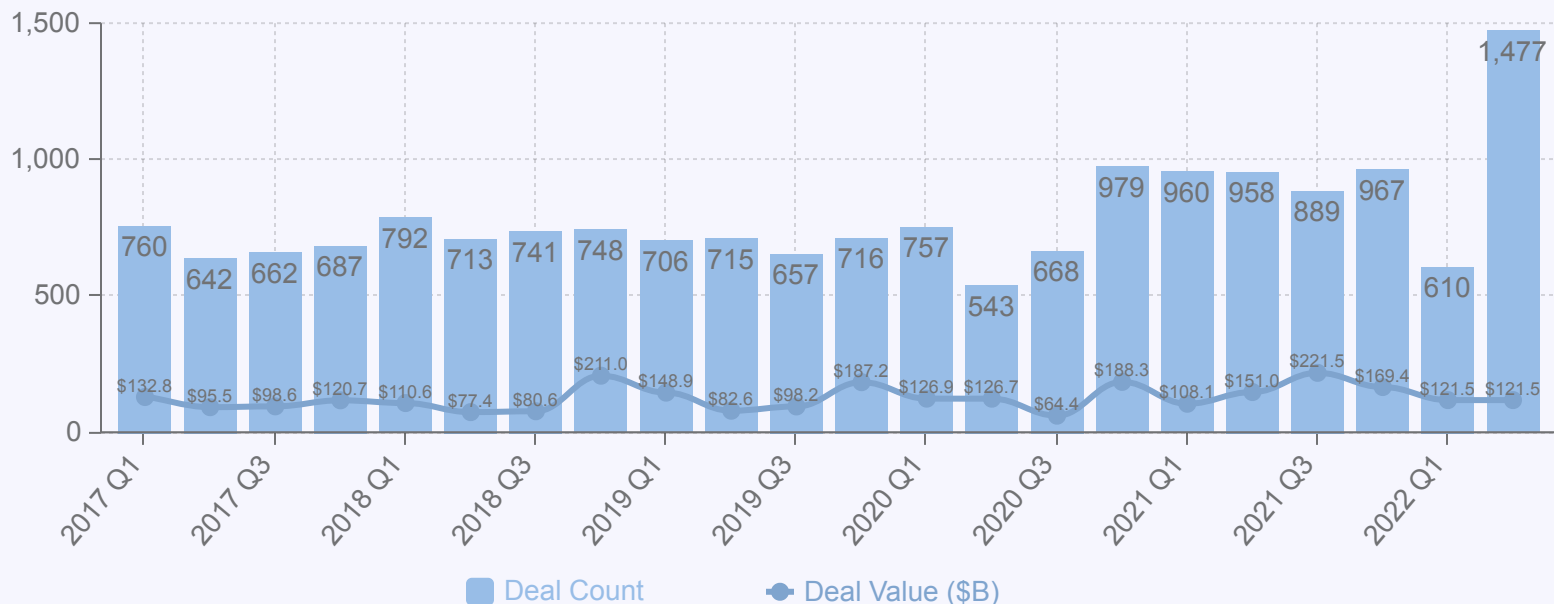
Telehealth Becoming Central to the Industry

Healthcare saw a massive shift towards a digital atmosphere through Telehealth during the pandemic. Telehealth represented less than 1% of the total health care volume in the US prior to COVID-19, and in 2020, more than half of physicians used Telehealth for the first time in the first few months of the pandemic. This was a necessary shift to continue to provide critical care to those who needed it while still complying with public health orders and social distancing protocols. Now, in 2022, Telehealth is here to stay, as research shows that physicians have overwhelmingly responded positively to its administration. In fact, 85% indicated that Telehealth increased timeliness of care, 75% said it allowed them to deliver high quality care, and more than 70% were motivated to increase its use. Additionally, patients have also found Telehealth to be more convenient to connect with their health care providers, and wish for access to virtual care to stay in place, in addition to in-person care. 2022 will see even more of an increase in Telehealth services, as the question is no longer whether Telehealth will be offered, but how best to offer Telehealth services as we move towards fully assimilated in-person and virtual care based on the patients' needs.



TOTAL TRANSACTIONS: 2021-2022

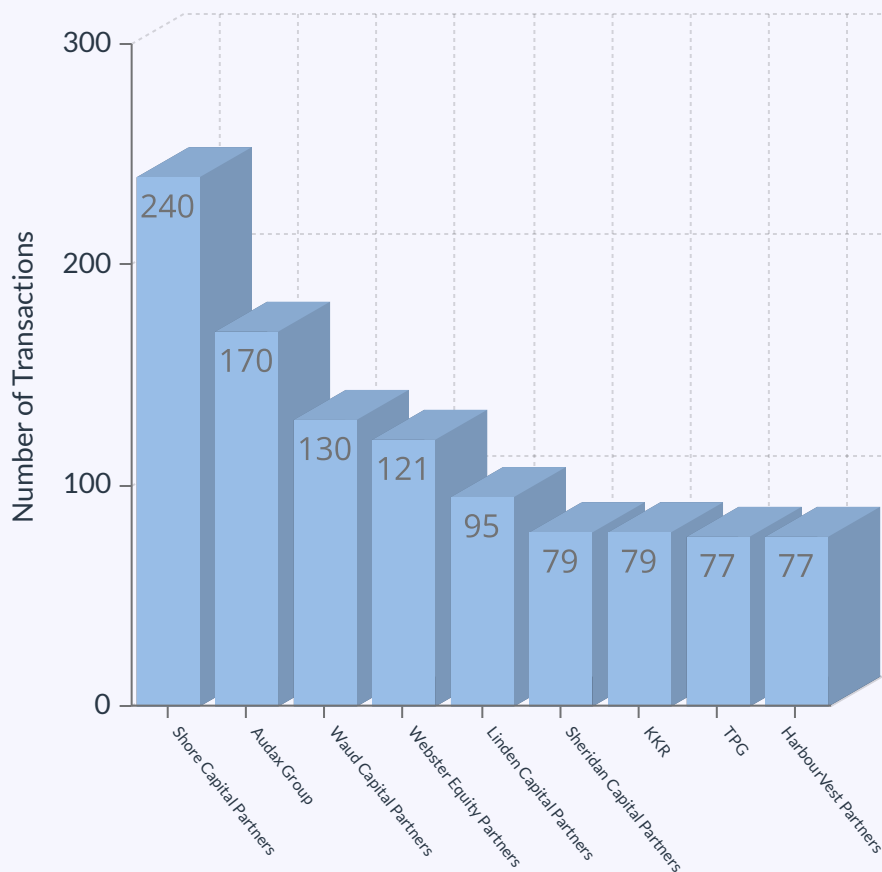
Global M&A Deal Volume: Number of Transactions Per Quarter
Healthcare Industry



Shore Capital Partners

Healthcare-focused lower middle market private equity fund Shore Capital Healthcare Partners is focused on making control equity investments within the healthcare services, products, and distribution markets. Founded in 2009, the firm specializes in partnering with organizations that have between \$5 and \$100 million of revenue, and was named both a 2020 and 2021 top founder in private equity firms. The company utilizes a motivated, research-led investment operation to target investments in established, profitable private companies with expert management teams, steady cash flow, and notable potential for development.

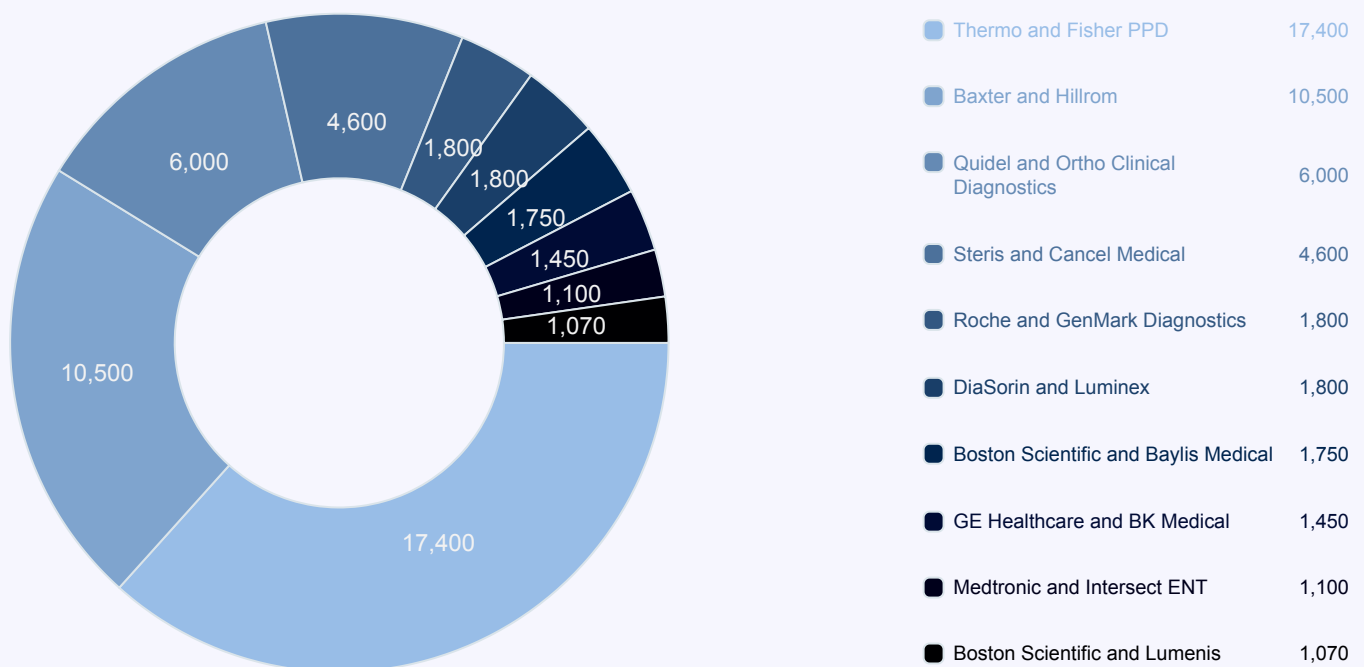
Most Active Investors By Number of Transactions (U.S. 2017-2022)



TOTAL TRANSACTION VALUE BY COMPANY: 2021-2022

Largest M&A Deals in Healthcare By Transaction Size (2021-2022)

Values in Millions (\$)



Thermo Fisher Completes Acquisition of PPD

In the second half of 2021, Thermo Fisher Scientific, the world leader in serving science, concluded its acquisition of clinical research services provider PPD, a leading global provider of clinical research services to the biopharma and biotech industry, in a deal valued at \$17.4 billion. With this megadeal, Thermo Fisher intends to provide multiple services across the clinical development spectrum, including scientific discovery, assessing security, efficiency, and health care outcomes, organizing clinical trial arrangements, and the development and manufacturing of products.

Baxter Completes Acquisition of Hillrom

Baxter International, a global med tech leader, announced its acquisition of Hillrom in the second half of 2021, paying \$156 in cash for each share of Hillrom common stock, a megadeal valued at \$10.5 billion. The combination of the two leading med tech organizations introduced additional opportunities for growth, and is meant to expand the company's digital health services, and advance patient care worldwide. Baxter's plan is to expand into new international markets, with a goal to increase care, lower costs, and enhance workflow productivity. Baxter now supports millions of patients daily across homes, physician offices, ambulatory care centers, and nearly every hospital sector.

Moving on From COVID-19

Healthcare M&A is rapidly evolving and will continue to see tremendous growth

Home Healthcare Outpacing Other Sectors

After a record-breaking year for M&A activity in the home healthcare and hospice sector, deal volume experienced a brief slump in the first quarter of 2022, with 30 publicly announced acquisitions, compared with 41 transactions in the fourth quarter of 2021. Though compared to the first quarter of 2021, which only had 26 deals, and the first quarter of 2020, which only saw 23 deals, the beginning of 2022 was still busier than first quarters have historically been. The pandemic highlighted the value of home health, driving a heightened interest in alternative plans for care models that are more available to patients. There were 142 recorded home health and hospice deals in the past 12 month period, which showed a 19% increase in value from 2021. Even as we emerge from the past two years of the pandemic, many people prefer the convenience and versatility of at-home care, and wish for it to stay in place.

New Obstacles for the Healthcare Industry

While the pandemic influenced how healthcare providers operated, today's economy is seeing a move back to pre-pandemic norms. Though stimulus packages were distributed as an effort to increase government spending in order to stimulate the economy, federal stimulus is running out. As supply chain shortages continue to affect everything from medical gloves and surgical masks to contrast for imaging scans continue to put stress on healthcare providers as they seek to keep costs low. The financial stability of many healthcare organizations are now coming into question due to the uncertainty of rising interest rates, which only further worsens the issue. These setbacks are encouraging companies to look for innovative and efficient deals, especially around technology, as they discover value in digital capabilities.

Record Total Transacted Revenue in Q2 2022

Although the rate of M&A deals in the healthcare industry remains low in comparison to pre-pandemic years, market activity saw a major comeback in the second quarter of 2022. The first quarter of 2022 saw only 12 announced transactions, with the number of transactions running below historical pre-pandemic levels, and none of them exceeding \$1 billion in revenue. However, the second quarter's \$19.2 billion in total transacted revenue remarkably surpassed that of any previous year's second quarter, in fact, it more than doubled the \$8.8 billion total recorded at the second quarter of 2021, which had a similar number of announced transactions. These values were mainly driven by the \$27 billion merger of Advocate Aurora Health and Altruism in May, raking in about \$14.1 billion and \$12.9 billion in total revenue last year, respectively.



Valuations

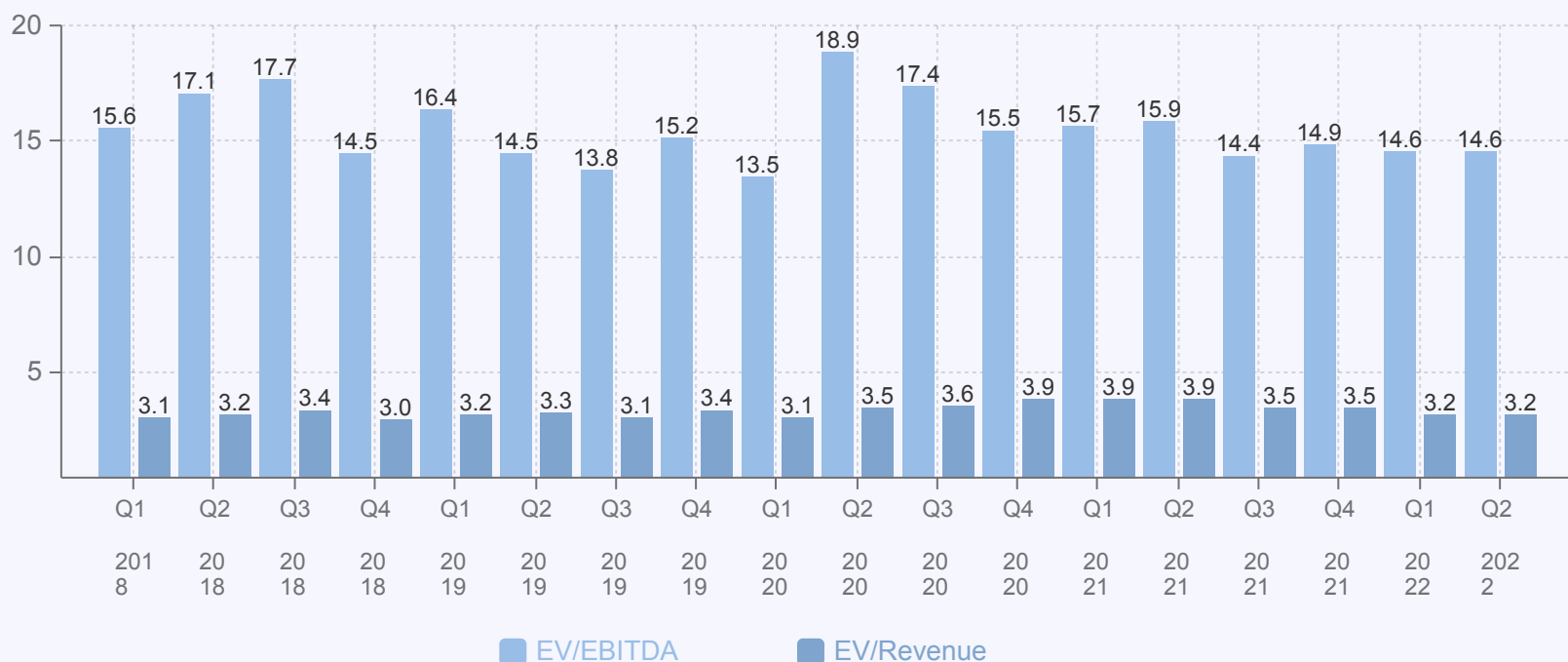
Over \$100 Billion
of Disclosed Deal
Value: June 2021-
June 2022

Average Deal Value (Millions of \$)	432.5
Average TEV/Revenue	2.0
Average TEV/EBITDA	8.8

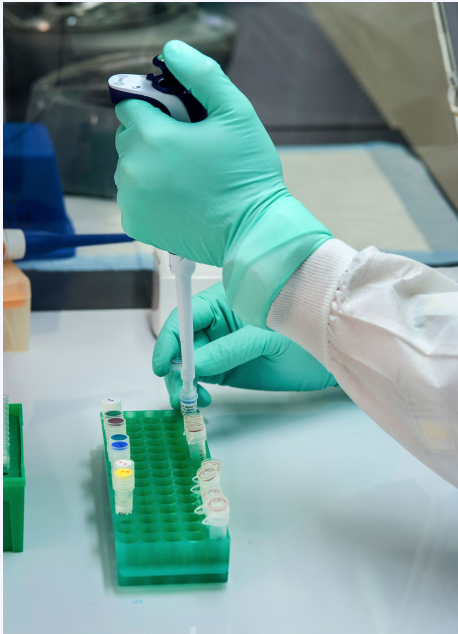
Valuation Multiples Remain High

Companies in the healthcare industry saw valuations rise significantly from 2019 to 2020, especially in Q2 of 2020, hitting a peak of 11.4x. In the 12 months that followed, valuations remained relatively high, hovering around the 9-10 enterprise value (EV)/EBITDA range. Multiples began to decrease towards the second half of 2021 going into the first quarter of 2022. In addition, the number of announced transactions drastically decreased since Q1 of 2020, and continued to fall in both 2021 and 2022. Despite the decrease in transaction volume recorded in Q1 2022, average deal value saw more than a 50% increase in Q2 2022 compared to the prior period. Based on representative set of publicly traded companies in the healthcare industry, public companies traded at an average multiple of 14.6 EBITDA and 3.2x revenue. It is strategic buyers who participate in a majority of the deal activity, and continue to actively seek acquisitions to expand existing platforms, while also integrating new technologies and resources that their current platforms do not yet offer.

Public Company Trading Multiples (2018-2022)



Conclusion



M&A is Swiftly Recovering

M&A in the healthcare industry exploded in the second half of 2020 and continued to stay high in Q1 and Q2 of 2021. Despite a brief slump in Q1 of 2022, companies in healthcare are emerging from the pandemic stronger than ever in Q2 2022. Money will only continue to pour into healthcare as the environment rapidly adapts and evolves.



Valuations Expected to Stay High

As the economy recovers from COVID-19, valuation multiples will likely remain high for the near future. In the long term, the pandemic has been a catalyst for the future as it continues to spur growth in the healthcare industry. While multiples have declined since the end of 2020 up until 2022, there will continue to be elevated demand for acquisitions in this industry through 2023 as technology becomes more central to the industry.



Home Health is Here to Stay

The healthcare industry has been adapting to accommodate a shift towards a digital atmosphere since 2020. In addition to virtual care, hospice and home health consolidation continued in the beginning of 2022. As there continues to be an aging population, there is a rising demand for affordable care alternatives compared to conventional institutional care centers. M&A will serve a large portion of this demand as there continues to be an interest in the broader post-acute care sector.

Senior Management Team



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Jim Audette is a founding partner and President of ASA Ventures. He has broad experience in building high performance companies as a C-level executive and strategist. In addition, his experience includes M&A, debt and equity financings, and corporate restructurings, in a wide range of industries including technology, consumer products, promotional products, healthcare, manufacturing, energy and industrials.



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John Allen is a Managing Director, founding partner of ASA Ventures and is a CPA. He brings over 30 years of direct P&L and general management experience. His diverse background includes a unique combination of operations, financial and sales management, which has enabled him to lead companies to dramatic increases in revenue and profitability. He has served as President, General Manager, and Chief Financial Officer. He has an extensive sales background, has closed numerous transactions in the technology sector, as well as, integrating acquisitions.



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Bill Schloth is a Managing Director of ASA Ventures. Bill has significant experience in mergers and acquisitions. He has worked on transactions in many sectors including healthcare, staffing, renewable energy, cloud computing, data analysis, and manufacturing. These transactions have ranged in enterprise value from \$5 million to \$200 million. His focus has always been on exceeding client expectations through detail-oriented due diligence, transparency and thorough marketing efforts.

ASA Ventures Group

Investment Banking for Private Companies: We Make a Market to Sell Your Company

Trusted Advisors

Trust is one of the most important assets your business has—the trust of your customers, your stakeholders and your partners. As the financial advisor to leading middle market companies worldwide, we know exactly how valuable that trust can be when it comes to navigating strategic and financial alternatives both at home and abroad. We've been providing clients with straightforward, insightful and candid advice for over 25 years. As a leading, mid-market, investment bank, we draw on our deep industry expertise, comprehensive financial advisory and capital markets capabilities, and extensive transaction experience to generate the highest exit value for our clients.

Why Us?

For 25 years our team has been dedicated to providing merger and acquisition representation for business owners who wish to sell their companies.

ASA clients are typically companies with EBITDA up to \$25 million and enterprise values of \$3 million to \$250 million. ASA is focused on clients in the healthcare, staffing, home healthcare, manufacturing, industrial, technology and service sectors. Our emphasis is on industry leaders, niche markets, efficient operations and recurring revenue.

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