

VALUE FOCUS

Medtech & Device Industry

First Quarter 2021

This quarterly update includes a broad outlook that divides the healthcare industry into four sectors: (1) Biotechnology & Life Sciences (2) Medical Devices (3) Healthcare Technology and (4) Large, Diversified Healthcare Companies. The update also includes a review of market performance, valuation multiple trends, operating metrics, and other market data. This issue also includes a review of M&A and IPO activity during the quarter.

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- Medical devices
- Healthcare technology
- Large, diversified

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Five Trends to Watch in the Medical Device Industry

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Medical Devices Overview

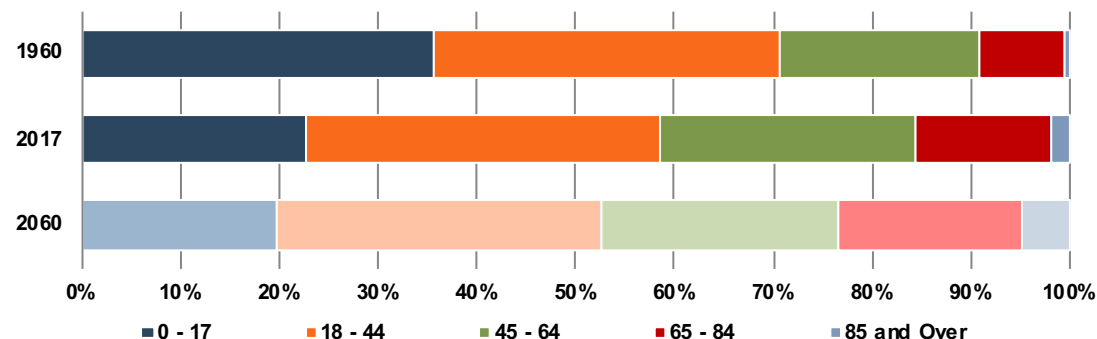
The medical device manufacturing industry produces equipment designed to diagnose and treat patients within global healthcare systems. Medical devices range from simple tongue depressors and bandages, to complex programmable pacemakers and sophisticated imaging systems. Major product categories include surgical implants and instruments, medical supplies, electro-medical equipment, in-vitro diagnostic equipment and reagents, irradiation apparatuses, and dental goods.

The following outlines five structural factors and trends that influence demand and supply of medical devices and related procedures.

1. Demographics

The aging population, driven by declining fertility rates and increasing life expectancy, represents a major demand driver for medical devices. The U.S. elderly population (persons aged 65 and above) totaled 49 million in 2016 (15% of the population). **The U.S. Census Bureau** estimates that the elderly will roughly double by 2060 to 95 million, representing 23% of the total population.

U.S. Population Distribution by Age Group



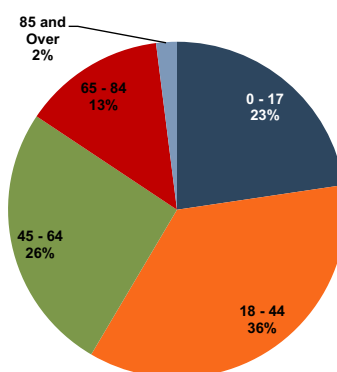
Source: U.S. Census Bureau; Most Recent Data Available

Five Trends to Watch

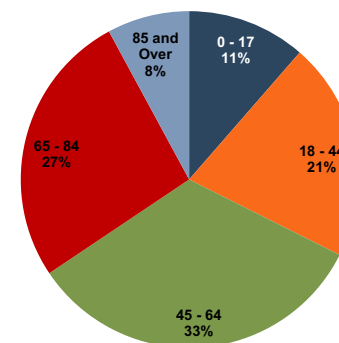
in the Medical Device Industry (cont.)

The elderly account for nearly one third of total healthcare consumption. Personal healthcare spending for the population segment was approximately **\$19,000 per person in 2014**, five times the spending per child (about \$3,700) and almost triple the spending per working-age person (about \$7,200).

U.S. Population Distribution by Age



U.S. Healthcare Cost Distribution by Age



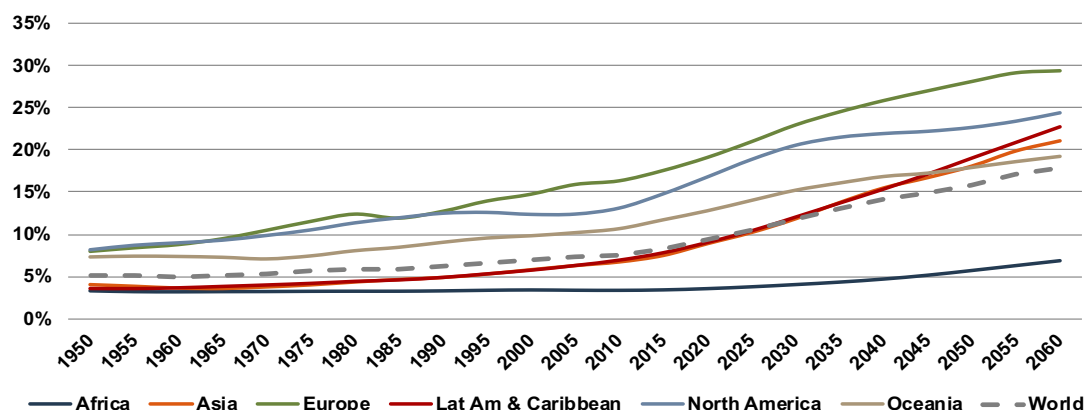
Source: U.S. Census Bureau, Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group

According to United Nations projections, the **global elderly population** will rise from approximately 608 million (8.2% of world population) in 2015 to 1.8 billion (17.8% of world population) in 2060. Europe's elderly are projected to reach approximately 29% of the population by 2060, making it the world's oldest region. While Latin America and Asia are currently relatively young, these regions are expected to undergo drastic transformations over the next several decades, with the elderly population expected to expand from approximately 8% in 2015 to more than 21% of the total population by 2060.

Five Trends to Watch

in the Medical Device Industry (cont.)

World Population 65 and Over (% of Total)



Source: United Nations, Department of Economic and Social Affairs, Population Division (2019). World Population Prospects: The 2019 Revision, custom data acquired via website.

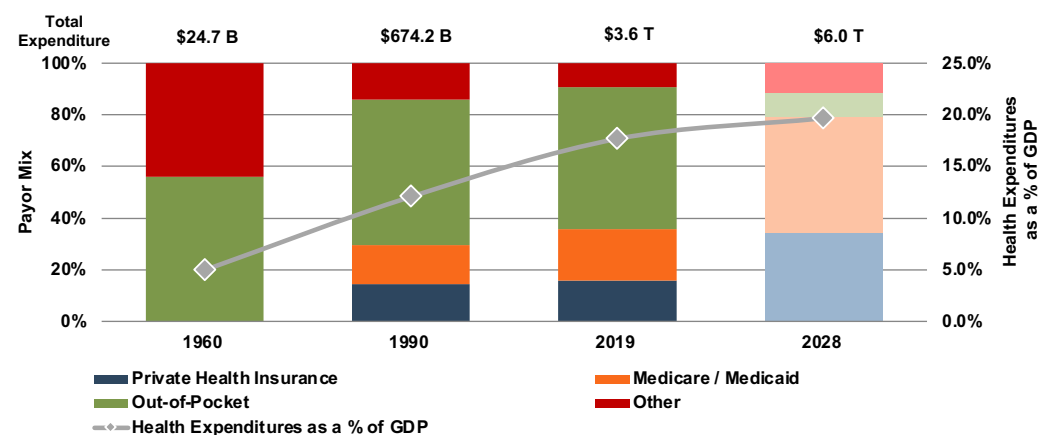
2. Healthcare Spending and the Legislative Landscape in the U.S.

Demographic shifts underlie the expected growth in total **U.S. healthcare expenditure** from \$3.8 trillion in 2019 to \$6.2 trillion in 2028, an average annual growth rate of 5.4%. While this projected average annual growth rate is more modest than that of 7.0% observed from 1990 through 2007, it is more rapid than the observed rate of 3.9% between 2009 and 2018. **Projected growth** in annual spending for Medicare (7.6%) and Medicaid (5.5%) is expected to contribute substantially to the increase in national health expenditure over the coming decade. **Healthcare spending** as a percentage of GDP is expected to expand from 17.7% in 2018 to 19.7% by 2028.

Since inception, **Medicare** has accounted for an increasing proportion of total U.S. healthcare expenditures. Medicare currently provides healthcare benefits for an estimated 60 million elderly and disabled people, constituting approximately 15% of the federal budget in 2018 and is expected to rise to 18% by 2028. Medicare represents the largest portion of total healthcare costs, constituting 20% of total health spending in 2017. Medicare also accounts for 25% of hospital spending, 30% of retail prescription drugs sales, and 23% of physician services.

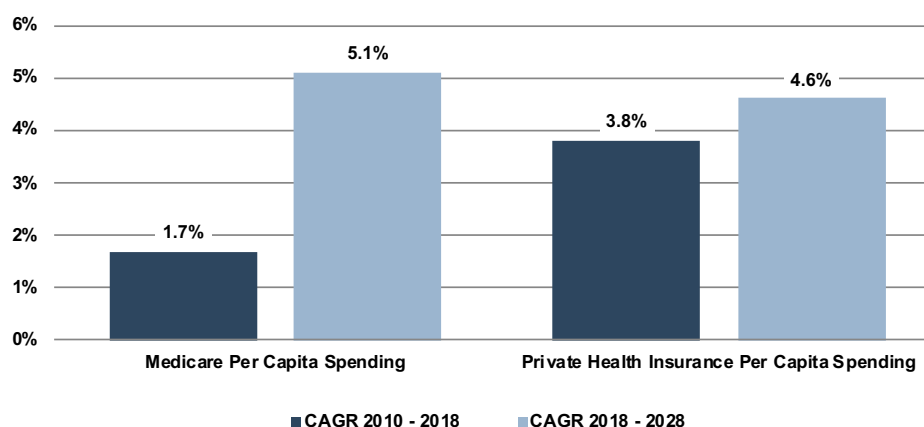
Five Trends to Watch in the Medical Device Industry (cont.)

U.S. Healthcare Consumption Payor Mix and as % of GDP



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

Average Spending Growth Rates, Medicare and Private Health Insurance



Source: Kaiser Family Foundation

Five Trends to Watch in the Medical Device Industry (cont.)

Due to the growing influence of Medicare in aggregate healthcare consumption, legislative developments can have a potentially outsized effect on the demand and pricing for medical products and services. **Net mandatory** benefit outlays (gross outlays less offsetting receipts) to Medicare totaled \$644 billion in 2019, and are expected to reach \$1.4 trillion by 2030.

The Patient Protection and Affordable Care Act ("ACA") of 2010 incorporated changes that are expected to constrain annual growth in Medicare spending over the next several decades, including reductions in Medicare payments to plans and providers, increased revenues, and new delivery system reforms that aim to improve efficiency and quality of patient care and reduce costs. While political debate centered around altering the ACA has been a continuous fixture in American politics since its passing, it is unlikely that material reform to the ACA might occur in the near future under the Biden Administration. On a per person basis, **Medicare spending** is projected to grow at 5.1% annually between 2018 and 2028, compared to 1.7% average annualized growth realized between 2010 and 2018.

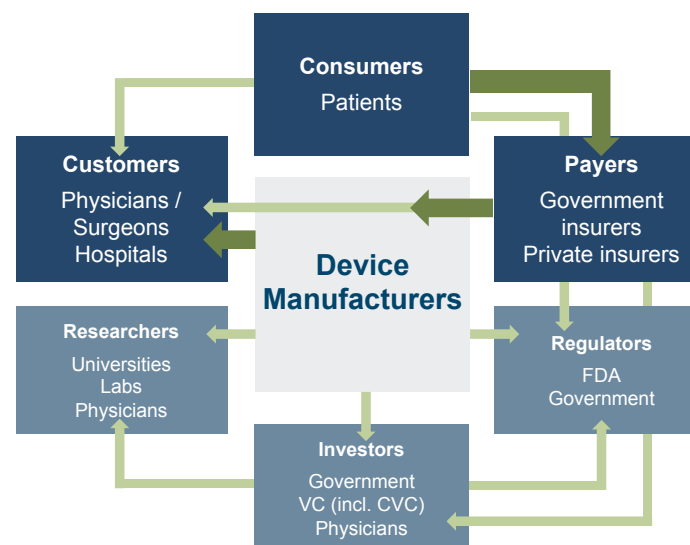
As part of ACA legislation, a 2.3% excise tax was imposed on certain medical devices for sales by manufacturers, producers, or importers. The tax was made effective on December 31, 2012 but met resistance from industry participants and policy makers. **In late 2015**, Congress passed legislation promulgating a two-year moratorium on the tax beginning January 2016. **In January 2018**, the moratorium suspending the medical device excise tax was extended through 2019. **In December 2019**, the medical device excise tax was repealed.

Five Trends to Watch in the Medical Device Industry (cont.)

3. Third-Party Coverage and Reimbursement

The primary customers of medical device companies are physicians (and/or product approval committees at their hospitals), who select the appropriate equipment for consumers (patients). In most developed economies, the consumers themselves are one (or more) step removed from interactions with manufacturers, and therefore pricing of medical devices. Device manufacturers ultimately receive payments from insurers, who usually reimburse healthcare providers for routine procedures (rather than for specific components like the devices used). Accordingly, medical device purchasing decisions tend to be largely disconnected from price.

Third-party payors (both private and government programs) are keen to reevaluate their payment policies to constrain rising healthcare costs. Several elements of the ACA are expected to limit reimbursement growth for hospitals, which form the largest market for medical devices. Lower reimbursement growth will likely persuade hospitals to scrutinize medical purchases by adopting i) higher standards to evaluate the benefits of new procedures and devices, and ii) a more disciplined price bargaining stance.



Five Trends to Watch in the Medical Device Industry (cont.)

The transition of the healthcare delivery paradigm from fee-for-service (“FFS”) to value models is expected to lead to fewer hospital admissions and procedures, given the focus on cost-cutting and efficiency. In 2015, the Department of Health and Human Services (“HHS”) announced goals to have 85% and 90% of all Medicare payments tied to quality or value by 2016 and 2018, respectively, and 30% and 50% of total Medicare payments tied to alternative payment models (“APM”) by the end of 2016 and 2018, respectively. A report issued by the Health Care Payment Learning & Action Network (“LAN”), a public-private partnership launched in March 2015 by HHS, found that 35.8% of payments were tied to **Category 3 and 4 APMs in 2018**, compared to 32.8% in 2017.

Some expressed concern that the shift toward value-based care would encounter difficulties with the Trump Administration. In November 2017, the **CMS partially canceled** bundled payment programs for certain joint replacement and cardiac rehabilitation procedures. However, indications are that the CMS supports value-based care and wants pilot programs to **accelerate**. In 2020, CMS released guidance for states on how to advance **value-based care** (“VBC”) across their healthcare systems, emphasizing Medicaid populations, and to share pathways for adoption of such approaches. Ultimately, lower reimbursement rates and reduced procedure volume will likely limit pricing gains for medical devices and equipment.

The medical device industry faces **similar reimbursement issues globally**, as the EU and other jurisdictions face similar increasing healthcare costs. A number of countries have instituted price ceilings on certain medical procedures, which could deflate the reimbursement rates of third-party payors, forcing down product prices. Industry participants are required to report manufacturing costs and medical device reimbursement rates are set potentially below those figures in certain major markets like Germany, France, Japan, Taiwan, Korea, China and Brazil. Whether third-party payors consider certain devices medically reasonable or necessary for operations presents a hurdle that device makers and manufacturers must overcome in bringing their devices to market.

Five Trends to Watch in the Medical Device Industry (cont.)

4. Competitive Factors and Regulatory Regime

Historically, much of the growth for medical technology companies has been predicated on continual product innovations that make devices easier for doctors to use and improve health outcomes for the patients. Successful product development usually requires significant R&D outlays and a measure of luck. If viable, new devices can elevate average selling prices, market penetration, and market share.

Government regulations curb competition in two ways to foster an environment where firms may realize an acceptable level of returns on their R&D investments. First, firms that are first to the market with a new product can benefit from patents and intellectual property protection giving them a competitive advantage for a finite period. Second, regulations govern medical device design and development, preclinical and clinical testing, premarket clearance or approval, registration and listing, manufacturing, labeling, storage, advertising and promotions, sales and distribution, export and import, and post market surveillance.

Regulatory Overview in the U.S.

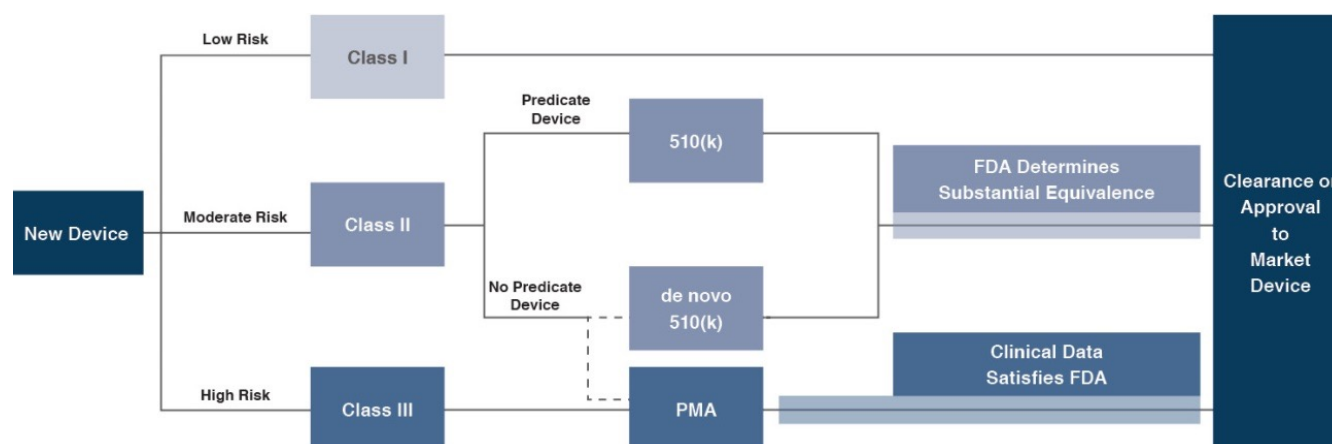
In the U.S., the FDA generally oversees the implementation of the second set of regulations. Some relatively simple devices deemed to pose low risk are exempt from the FDA's clearance requirement and can be marketed in the U.S. without prior authorization. For the remaining devices, commercial distribution requires marketing authorization from the FDA, which comes in primarily two flavors.

- The premarket notification ("510(k) clearance") process requires the manufacturer to demonstrate that a device is "substantially equivalent" to an existing device ("predicate device") that is legally marketed in the U.S. The 510(k) clearance process may occasionally require clinical data, and generally takes between 90 days and one year for completion. In November 2018, the FDA announced plans to change elements of the **510(k) clearance process**. Specifically, the FDA plan includes measures to encourage device manufacturers to use predicate devices that have been on the market for no more than 10 years. In early 2019, the FDA announced an alternative 510(k) program to allow medical devices an easier approval process for manufacturers of certain "well-understood device types" to demonstrate substantial equivalence through objective safety and performance criteria. The plans materialized as the **Abbreviated 510(k) Program** later in the year.

Five Trends to Watch

in the Medical Device Industry (cont.)

- The premarket approval (“PMA”) process is more stringent, time-consuming and expensive. A PMA application must be supported by valid scientific evidence, which typically entails collection of extensive technical, preclinical, clinical and manufacturing data. Once the PMA is submitted and found to be complete, the FDA begins an in-depth review, which is required by statute to take no longer than 180 days. However, the process typically takes significantly longer, and may require several years to complete.



Pursuant to the **Medical Device User Fee Modernization Act (“MDUFA”)**, the FDA collects user fees for the review of devices for marketing clearance or approval. The current iteration of the Medical Device User Fee Act (MDUFA IV) came into effect in October 2017. Under MDUFA IV, the FDA is authorized to collect **almost \$1 billion** in user fees, an increase of more than \$320 million over MDUFA III, between 2017 and 2022. Intended to begin in 2020, **negotiations for MDUFA V** were delayed due to the COVID-19 pandemic.

Five Trends to Watch in the Medical Device Industry (cont.)

Regulatory Overview Outside the U.S.

The European Union ("EU"), along with countries such as Japan, Canada, and Australia all operate strict regulatory regimes similar to that of the FDA, and international consensus is moving towards more stringent regulations. Stricter regulations for new devices may slow release dates and may negatively affect companies within the industry.

Medical device manufacturers face a **single regulatory body across the EU**. In order for a medical device to be allowed on the market, it must meet the requirements set by the EU Medical Devices Directive. Devices must receive a Conformité Européenne ("CE") Mark certificate before they are allowed to be sold in that market. This CE marking verifies that a device meets all regulatory requirements, including EU safety standards. A set of different directives apply to different types of devices, potentially increasing the complexity and cost of compliance.

5. Emerging Global Markets

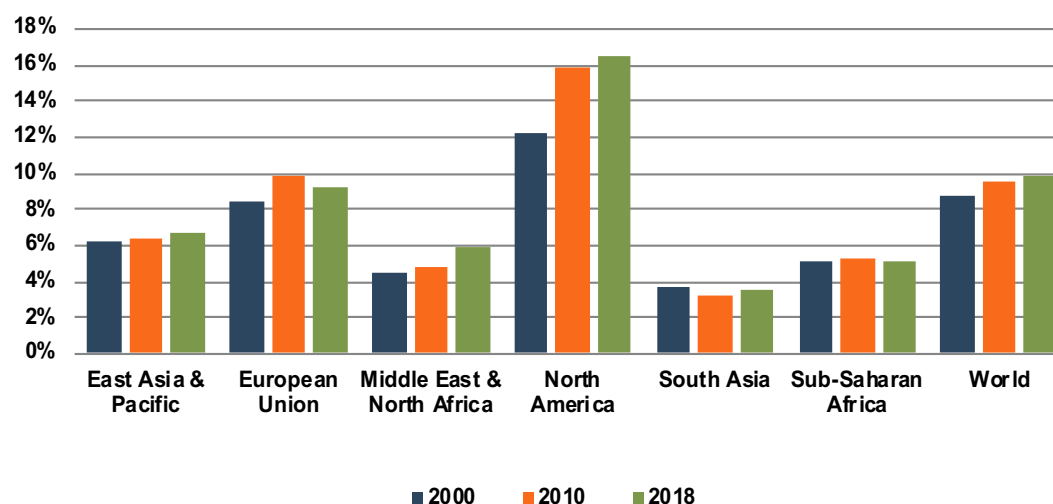
Emerging economies are claiming a growing share of global healthcare consumption, including medical devices and related procedures, owing to relative economic prosperity, growing medical awareness, and increasing (and increasingly aging) populations. **According to the WHO**, middle income countries, such as Russia, China, Turkey, and Peru, among others, are rapidly converging towards outsized levels of spending as their income scales. When countries grow richer, the demand for health care increases along with people's expectation for government financed healthcare. Middle income country share, the fastest growing economic sector, increased from 15% to 19% of global spending between 2000 and 2017. As global health expenditure continues to increase, sales to countries outside the U.S. represent a potential avenue for growth for domestic medical device companies. According to the World Bank, all regions (except Sub-Saharan Africa and South Asia) have seen an increase in healthcare spending as a percentage of total output over the last two decades.

Five Trends to Watch

in the Medical Device Industry
(cont.)

Global medical devices sales are estimated to increase 5.4% annually from 2018 to 2025, reaching nearly \$612.7 billion according to data from Fortune Business Insights. While the Americas are projected to remain the world's largest medical device market, the Asia/Pacific and Western Europe markets are expected to expand at a quicker pace over the next several years.

World Health Expenditure as a % of GDP



Source: The World Bank

Five Trends to Watch in the Medical Device Industry (cont.)

Summary

Demographic shifts underlie the long-term market opportunity for medical device manufacturers. While efforts to control costs on the part of the government insurer in the U.S. may limit future pricing growth for incumbent products, a growing global market provides domestic device manufacturers with an opportunity to broaden and diversify their geographic revenue base. Developing new products and procedures is risky and usually more resource intensive compared to some other growth sectors of the economy. However, barriers to entry in the form of existing regulations provide a measure of relief from competition, especially for newly developed products.

POST-SCRIPT – COVID-19 & THE MEDICAL DEVICE INDUSTRY

The COVID-19 pandemic disrupted the healthcare sector, causing demand for optional procedures and in-person visits to fall as medical resources were allotted for COVID-19 relief. At the onset of the pandemic, local governments implemented stay-at-home orders which restricted in-person visits to healthcare providers which resulted in decreased diagnoses and postponed procedures. As the pandemic went on, patients avoided nonessential medical care out of fear of contracting or spreading the virus. In October of 2020, a McKinsey survey found that 40% of individuals reported having canceled upcoming appointments, and an additional 15% reported needing care but had not scheduled or received care. As a result, demand for industry products fell, with the exception of respiratory ventilators, breath monitors, and other devices used in the treatment of COVID-19. Simultaneously, the pandemic also decreased production capacity and fulfillment as manufacturers and transportation companies were forced to send employees home for social distancing measures. As of December 2020, IBISWorld projected medical device industry revenue to fall by 5.7% year-over-year for 2020 before rebounding in 2021 upon mass vaccinations.

Stock Market Performance

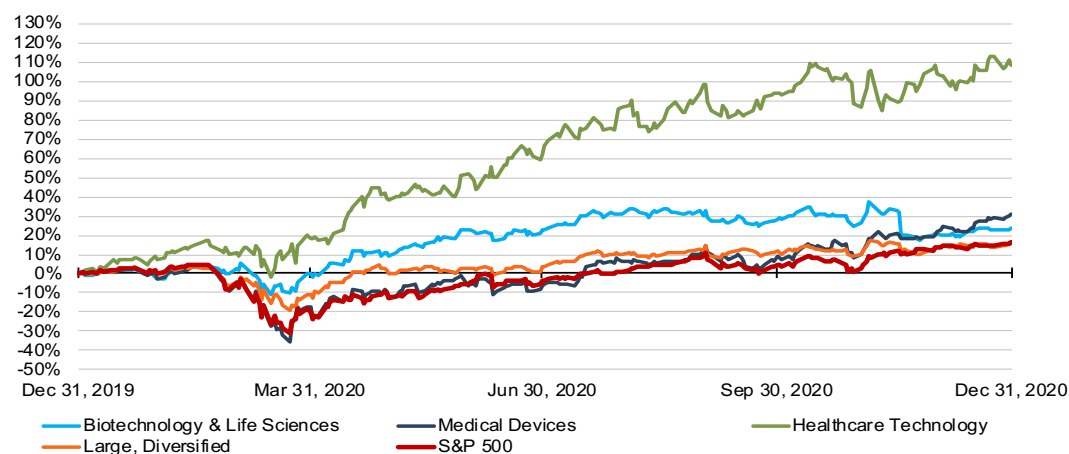
Industry performance was broadly positive over the twelve months ended December 2020. The S&P 500 rose 16.3% over the twelve-month period, and all subsectors outperformed the S&P. Furthermore, after a turbulent start of the year, three of the four subsectors reported positive performance in 4Q 2020. However, only the Medical Device subsector outperformed the S&P 500 which increased 11.7% during the quarter.

- A market-capitalization weighted index of companies included in our biotechnology and life sciences sector decreased 3.4% over the quarter ended December 2020. The top performer of the group was Alexion, which posted a 36.5% return. ALXN researches and develops proprietary immunoregulatory compounds for the treatment of autoimmune and cardiovascular diseases.
- The medical device sector increased 20.2% for fourth quarter of 2020, the most of any sector. The group's best performer was Align Technology which returned 63.2%. ALGN designs, manufactures, and markets the invisalign system, a method for treating the misalignment of teeth.
- The healthcare technology sector returned 7.3% over the period. Allscripts increased 77.4% over the period and was responsible for the largest returns of the group. MDR develops and markets clinical software including electronic health records, electronic prescribing, revenue cycle management, practice management, document management, medication services, hospital care management, emergency department information systems and homecare automation solutions.
- The large, diversified sector increased 4.0% over the quarter. The top performer within the group was AbbVie which increased 22.3% during the period. ABBV researches and develops pharmaceutical products.

Stock Market Performance

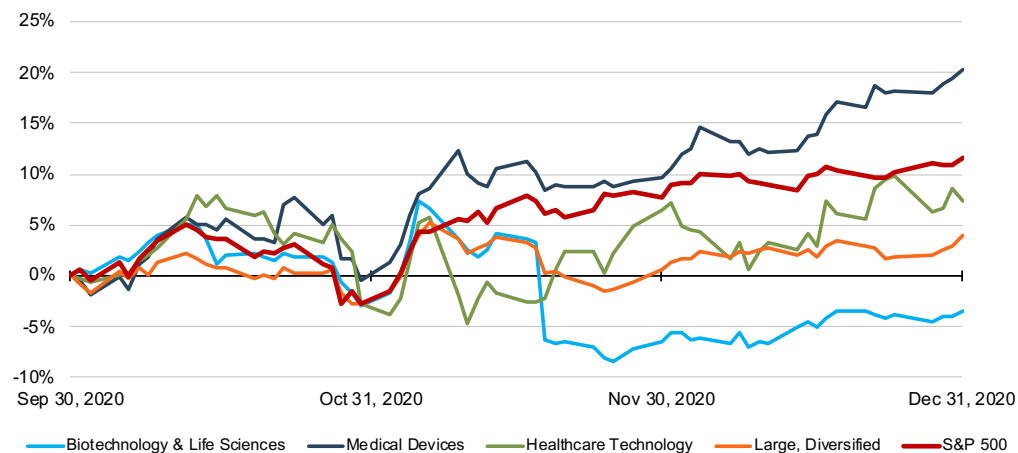
(cont.)

Historical LTM Stock Price Performance



Individual sub-sector performance represented by market capitalization weighted indices for each group.
Data Source: Bloomberg LP; Mercer Capital Analysis

Historical MRQ Stock Price Performance



Individual sub-sector performance represented by market capitalization weighted indices for each group.
Source: Bloomberg LP; Mercer Capital Analysis

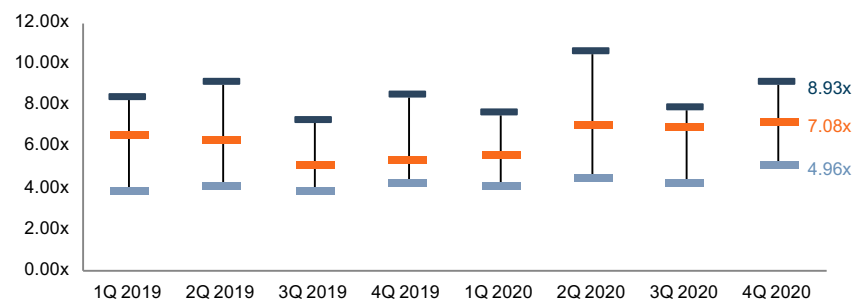
Revenue Multiples

■ 75% Quartile ■ Median ■ 25% Quartile

Median Revenue multiples from each MCM group. Data source: Bloomberg

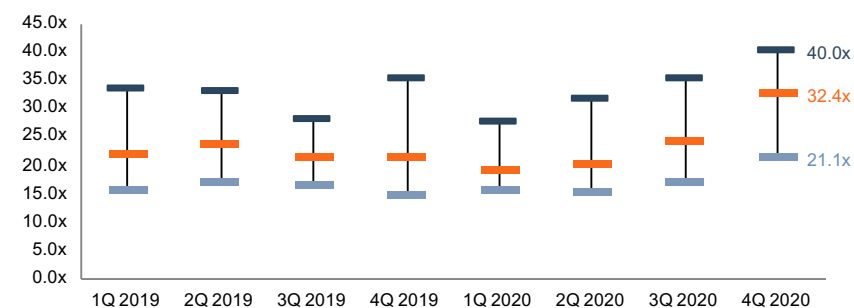
Biotechnology & Life Sciences

EV / Trailing LTM Revenue



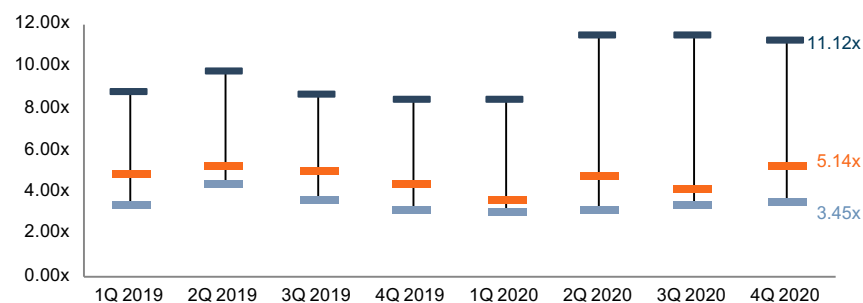
Medical Devices

EV / Trailing LTM Revenue



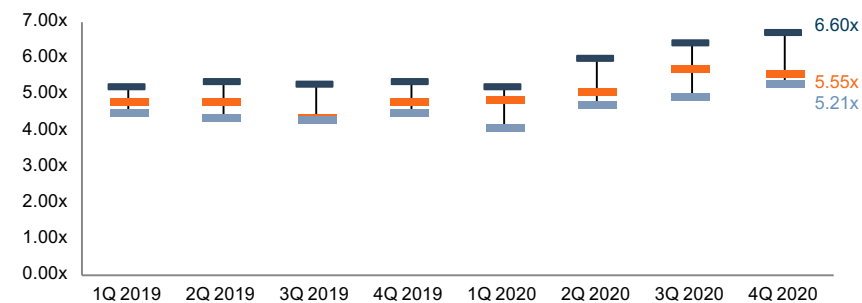
Healthcare Technology

EV / Trailing LTM Revenue



Large, Diversified

EV / Trailing LTM Revenue



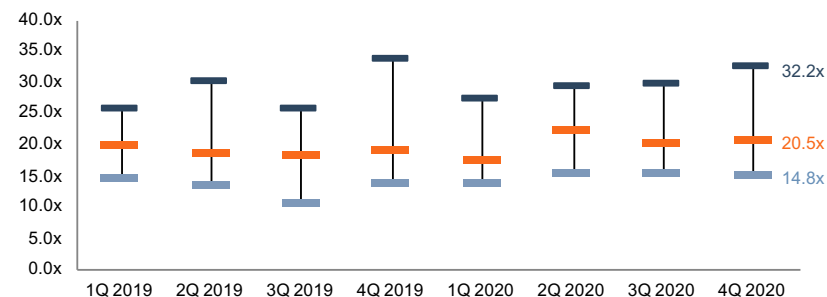
EBITDA Multiples

■ 75% Quartile ■ Median ■ 25% Quartile

Median EBITDA multiples from each MCM group. Data source: Bloomberg

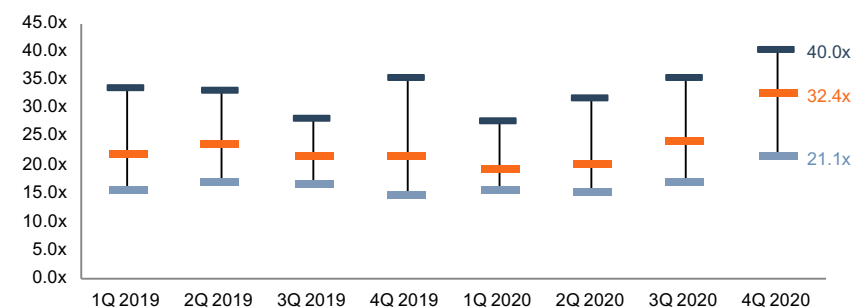
Biotechnology & Life Sciences

EV / Trailing LTM EBITDA



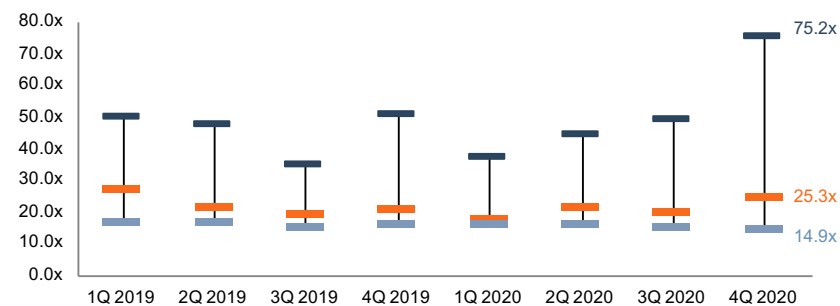
Medical Devices

EV / Trailing LTM EBITDA



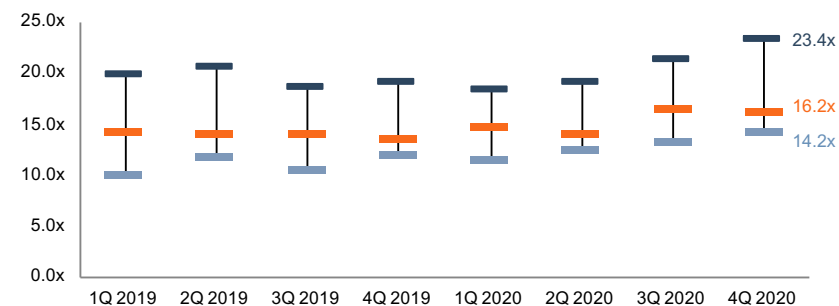
Healthcare Technology

EV / Trailing LTM EBITDA



Large, Diversified

EV / Trailing LTM EBITDA



Select Operating Metrics

Sector	TTM Gross Margin		TTM Operating Margin		TTM R&D / Revenue		TTM EBITDA Margin	
	4Q 2020	3Q 2020	4Q 2020	3Q 2020	4Q 2020	3Q 2020	4Q 2020	3Q 2020
Biotechnology & Life Sciences	71.2%	74.3%	18.0%	18.0%	18.3%	16.5%	31.3%	30.0%
Medical Devices	57.8%	64.2%	17.0%	17.4%	6.9%	7.1%	29.7%	30.3%
Healthcare Technology	58.4%	57.5%	4.2%	5.7%	9.2%	9.3%	17.5%	17.0%
Large, Diversified	55.0%	55.3%	18.8%	17.0%	10.1%	9.6%	29.7%	27.0%
Overall Median	58.2%	61.6%	15.9%	15.3%	8.5%	8.6%	28.5%	28.1%

Sector	Revenue Growth		L-T FWD Op. Earn. Growth		Debt / EV		Debt / EBITDA	
	Q / Q	Y / Y	4Q 2020	3Q 2020	4Q 2020	3Q 2020	4Q 2020	3Q 2020
Biotechnology & Life Sciences	1.8%	3.1%	13.7%	11.7%	7.8%	9.4%	1.4	1.4
Medical Devices	1.1%	0.5%	10.7%	12.9%	7.9%	6.9%	1.7	1.6
Healthcare Technology	1.3%	2.6%	16.8%	15.5%	10.1%	11.9%	1.9	1.0
Large, Diversified	0.6%	1.2%	9.7%	8.4%	11.4%	12.9%	2.4	2.4
Overall Median	1.1%	1.7%	11.7%	11.0%	9.5%	11.3%	2.0	1.9

Median measures for each group. | Data Source: Bloomberg

Public Medical Device Companies

		Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Rev.	EV / EBITDA	EV / FWD EBITDA	
		4Q 2020	3Q 2020	4Q 2019	Qtrly	Annual	4Q 2020	4Q 2020	4Q 2020	FY 2021	FY 2022	4Q 2020	4Q 2020	2021	2022
Biotechnology & Life Sciences															
Alexion Pharmaceuticals Inc	ALXN	\$156	\$114	\$108	36.5%	44.5%	\$34,644	\$5,862	\$3,172	\$3,504	\$3,476	5.91x	10.9x	9.9x	10.0x
Biogen Inc	BIIB	245	284	297	-13.7%	-17.5%	40,926	14,263	7,261	7,241	5,359	2.87	5.6	5.7	7.6
Bio-Rad Laboratories Inc	BIO	583	515	370	13.1%	57.5%	13,925	2,380	500	519	527	5.85	27.9	26.8	26.4
BioMarin Pharmaceutical Inc	BMRN	88	76	85	15.3%	3.7%	15,914	1,863	73	151	160	8.54	216.9	105.4	99.2
Sartorius Stedim Biotech	DIM	356	345	166	3.1%	114.6%	32,934	1,957	614	577	697	16.83	53.6	57.1	47.2
Eurofins Scientific SE	ERF	84	792	555	-89.4%	-84.9%	20,033	5,218	1,042	1,216	1,290	3.84	19.2	16.5	15.5
Gilead Sciences Inc	GILD	58	63	65	-7.8%	-10.3%	76,265	23,147	10,748	11,873	12,379	3.29	7.1	6.4	6.2
Illumina Inc	ILMN	370	309	332	19.7%	11.5%	52,601	3,239	1,014	893	1,229	16.24	51.9	58.9	42.8
Incyte Corp	INCY	87	90	87	-3.1%	-0.4%	17,384	2,457	(247)	(159)	961	7.08	nm	nm	18.1
IQVIA Holdings Inc	IQV	179	158	155	13.7%	16.0%	45,696	10,956	2,329	2,341	2,752	4.17	19.6	19.5	16.6
Lonza Group AG	LONN	644	617	365	4.4%	76.6%	51,413	6,164	1,726	1,694	1,869	8.34	29.8	30.3	27.5
Mettler-Toledo International Inc	MTD	1,140	966	793	18.0%	43.7%	28,189	2,991	854	873	953	9.42	33.0	32.3	29.6
Regeneron Pharmaceuticals Inc	REGN	483	560	375	-13.7%	28.7%	47,451	8,244	3,553	4,110	4,194	5.76	13.4	11.5	11.3
Vertex Pharmaceuticals Inc	VRTX	236	272	219	-13.1%	7.9%	55,853	5,991	2,882	3,447	3,986	9.32	19.4	16.2	14.0
Waters Corp	WAT	247	196	234	26.4%	5.9%	16,615	2,295	779	751	814	7.24	21.3	22.1	20.4

(\$Millions, except per share figures)

Data Source: Bloomberg

Public Medical Device Companies (continued)

		Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Rev.	EV / EBITDA	EV / FWD EBITDA						
		4Q 2020	3Q 2020	4Q 2019	Quarterly	Annual				4Q 2020	4Q 2020			4Q 2020	FY 2021	FY 2022	4Q 2020	4Q 2020	2021	2022
Medical Devices																				
Terumo Corp	4543	\$42	\$40	\$36	5.4%	17.1%	\$32,748	\$5,743	\$1,511	\$146,274	\$177,457	5.70x	21.7x	0.2x	0.2x					
Sysmex Corp	6869	120	95	68	26.4%	75.6%	24,830	2,782	750	75,489	89,203	8.93	33.1	0.3	0.3					
Olympus Corp	7733	22	21	16	5.7%	40.9%	31,447	7,312	1,488	123,541	179,054	4.30	21.1	0.3	0.2					
ABIOMED Inc	ABMD	324	277	171	17.0%	90.0%	14,012	841	279	261	337	16.65	50.3	53.7	41.6					
Align Technology Inc	ALGN	534	327	279	63.2%	91.5%	41,607	2,287	430	502	906	18.19	96.7	82.9	45.9					
Baxter International Inc	BAX	80	80	84	-0.2%	-4.0%	43,609	11,531	3,536	2,731	3,045	3.78	12.3	16.0	14.3					
Boston Scientific Corp	BSX	36	38	45	-5.9%	-20.5%	59,048	9,915	1,593	3,351	3,921	5.96	37.1	17.6	15.1					
Coloplast A/S	COLOB	154	158	124	-2.8%	23.8%	30,586	2,751	944	6,995	7,575	11.12	32.4	4.4	4.0					
Edwards Lifesciences Corp	EW	91	80	233	14.3%	-60.9%	56,254	4,369	1,408	1,423	1,665	12.88	40.0	39.5	33.8					
Hologic Inc	HOLX	73	66	52	9.6%	39.5%	21,163	3,295	1,116	2,584	1,696	6.42	19.0	8.2	12.5					
IDEXX Laboratories Inc	IDXX	500	393	261	27.2%	91.4%	43,337	2,591	770	763	848	16.73	56.3	56.8	51.1					
Intuitive Surgical Inc	ISRG	818	710	591	15.3%	38.4%	91,456	4,358	837	1,947	2,411	20.98	109.3	47.0	37.9					
ResMed Inc	RMD	213	171	155	24.0%	37.2%	31,639	2,892	939	1,062	1,134	10.94	33.7	29.8	27.9					
Smith & Nephew PLC	SN/	21	20	24	5.3%	-15.2%	20,368	4,688	1,334	1,065	1,474	4.34	15.3	19.1	13.8					
Stryker Corp	SYK	245	208	210	17.6%	16.7%	98,460	14,220	3,885	3,835	4,773	6.92	25.3	25.7	20.6					
Wright Medical Group NV	WMGI	412	340	376	20.9%	9.3%	21,037	2,507	749	694	836	8.39	28.1	30.3	25.2					
Zimmer Biomet Holdings Inc	ZBH	154	136	150	13.2%	2.9%	39,266	7,065	2,115	2,082	2,663	5.56	18.6	18.9	14.7					

(\$Millions, except per share figures)

Data Source: Bloomberg

Public Medical Device Companies (continued)

		Price					Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Rev.	EV / EBITDA	EV / FWD EBITDA	
		Price		Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Rev.	EV / EBITDA	EV / FWD EBITDA				
		4Q 2020	3Q 2020	4Q 2019	Quarterly	Annual	4Q 2020	4Q 2020	4Q 2020	FY 2021	FY 2022	4Q 2020	4Q 2020	2021	2022		
Healthcare Technology																	
M3 Inc	2413	\$94	\$62	\$30	53.2%	210.9%	\$63,342	\$1,153	\$323	\$55,108	\$72,603	54.92x	195.9x	1.1x	0.9x		
Cerner Corp	CERN	78	72	73	8.6%	6.9%	24,505	5,553	1,584	1,732	1,862	4.41	15.5	14.1	13.2		
Craneware PLC	CRW	31	20	32	56.9%	-1.4%	794	71	22	26	27	11.12	35.5	30.7	29.2		
Evolent Health Inc	EVH	16	12	9	29.2%	77.1%	1,356	987	54	37	38	1.37	25.3	36.4	35.5		
HMS Holdings Corp	HMSY	37	24	30	53.4%	24.2%	3,302	643	136	180	203	5.14	24.3	18.3	16.3		
Inovalon Holdings Inc	INOV	18	26	19	-31.3%	-3.5%	2,246	651	201	228	267	3.45	11.2	9.8	8.4		
Allscripts Healthcare Solutions Inc	MDRX	14	8	10	77.4%	47.1%	3,258	1,676	293	294	257	1.94	11.1	11.1	12.7		
NextGen Healthcare Inc	NXGN	18	13	16	43.2%	13.5%	1,258	539	87	109	114	2.33	14.4	11.6	11.0		
Omniceil Inc	OMCL	120	75	82	60.8%	46.9%	4,966	891	151	153	219	5.57	32.9	32.4	22.7		
Teladoc Health Inc	TDOC	200	219	84	-8.8%	138.8%	28,787	867	21	107	217	33.20	1388.8	268.0	132.5		
Tabula Rasa HealthCare Inc	TRHC	43	41	49	5.1%	-12.0%	1,253	293	(3)	22	38	4.27	nm	57.8	33.0		
Vocera Communications Inc	VCRA	42	29	21	42.8%	100.0%	1,266	191	(1)	27	31	6.61	nm	47.2	40.5		
Veeva Systems Inc	VEEV	272	281	141	-3.2%	93.6%	36,095	1,025	314	601	670	35.22	114.9	60.1	53.9		

(\$Millions, except per share figures)

Data Source: Bloomberg

Public Medical Device Companies (continued)

		Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Rev.	EV / EBITDA	EV / FWD EBITDA	
		4Q 2020	3Q 2020	4Q 2019	Quarterly	Annual	4Q 2020	4Q 2020	4Q 2020	FY 2021	FY 2022	4Q 2020	4Q 2020	2021	2022
Large, Diversified															
Agilent Technologies Inc	A	\$118	\$101	\$85	17.4%	38.9%	\$37,455	\$5,223	\$1,325	\$1,514	\$1,675	7.17x	28.3x	24.7x	22.4x
AbbVie Inc	ABBV	107	88	89	22.3%	21.0%	268,285	40,650	20,290	24,003	29,203	6.60	13.2	11.2	9.2
Abbott Laboratories	ABT	109	109	87	0.6%	26.1%	207,840	32,221	7,821	8,987	10,939	6.45	26.6	23.1	19.0
Amgen Inc	AMGN	230	254	241	-9.5%	-4.6%	155,779	24,987	12,856	15,239	15,191	6.23	12.1	10.2	10.3
Becton Dickinson and Co	BDX	250	233	272	7.5%	-8.0%	90,780	16,917	6,379	5,753	6,193	5.37	14.2	15.8	14.7
Danaher Corp	DHR	222	215	153	3.2%	44.7%	176,546	20,392	5,208	6,194	7,525	8.66	33.9	28.5	23.5
Johnson & Johnson	JNJ	157	149	146	5.7%	7.9%	421,287	80,856	28,752	28,007	31,273	5.21	14.7	15.0	13.5
Medtronic PLC	MDT	117	104	113	12.7%	3.3%	172,461	31,062	10,649	8,219	10,931	5.55	16.2	21.0	15.8
Koninklijke Philips NV	PHIA	54	47	49	13.6%	9.5%	54,388	21,253	3,747	3,422	3,664	2.56	14.5	15.9	14.8
PerkinElmer Inc	PKI	144	126	97	14.3%	47.8%	17,838	3,234	904	1,104	1,286	5.52	19.7	16.2	13.9
Roche Holding AG	ROG	350	342	324	2.3%	7.9%	255,539	61,702	27,139	24,489	25,862	4.14	9.4	10.4	9.9
Siemens Healthineers AG	SHL	52	45	48	15.4%	8.7%	61,680	16,287	3,315	3,257	3,662	3.79	18.6	18.9	16.8
Thermo Fisher Scientific Inc	TMO	466	442	325	5.5%	43.4%	198,158	28,497	8,466	9,829	10,353	6.95	23.4	20.2	19.1

(\$Millions, except per share figures)

Data Source: Bloomberg

Mergers & Acquisitions

Announced Transactions from September 30, 2020 to December 31, 2020								
Acquirer	Target	Announce Date	Transaction Value	Implied EV	Implied EV			Target Sector
					Revenue	EBIT	EBITDA	
AstraZeneca PLC	Alexion Pharmaceuticals, Inc.	12/12/20	\$43,365	\$41,068	7.01x	14.8x	13.2x	Biotechnology
Bayer Aktiengesellschaft	Asklepios BioPharmaceutical, Inc.	10/26/20	4,000	4,000	nm	nm	nm	Biotechnology
Gainwell	HMS Holdings Corp.	12/21/20	3,627	3,416	5.31	43.2	27.8	Health Care Technology
Merck & Co., Inc.	VelosBio, Inc.	11/5/20	2,750	2,750	nm	nm	nm	Biotechnology
Exact Sciences Corporation	Thrive Earlier Detection Corp.	10/27/20	2,034	2,034	nm	nm	nm	Biotechnology
Gilead Sciences, Inc.	MYR GmbH	12/9/20	1,751	1,751	nm	nm	nm	Biotechnology
Eli Lilly and Company	Disarm Therapeutics, Inc.	10/15/20	1,360	1,360	nm	nm	nm	Biotechnology
WellSky Corporation	CarePort Health, LLC	10/13/20	1,350	1,350	13.00	nm	21.0	Health Care Technology
Eli Lilly and Company	Prevail Therapeutics Inc.	12/15/20	1,069	977	nm	nm	nm	Biotechnology
STERIS Corporation	Key Surgical, Inc.	10/6/20	850	850	nm	nm	nm	Health Care Supplies
Endo International plc	BioSpecifics Technologies Corp.	10/19/20	658	572	15.62	24.1	24.1	Biotechnology
Teleflex Incorporated	Z-Medica, LLC	10/28/20	525	525	nm	nm	nm	Health Care Equipment
Retrophin, Inc. (nka: Traveer Therapeutics, Inc.)	Orphan Technologies Ltd.	10/22/20	517	517	nm	nm	nm	Biotechnology
Sartorius Stedim Biotech S.A.	BIA Separations d.o.o.	10/2/20	422	422	nm	nm	nm	Life Sciences Tools and Services
Exact Sciences Corporation	Base Genomics Limited	10/27/20	410	410	nm	nm	nm	Biotechnology
Integra LifeSciences Holdings Corporation	ACell, Inc.	12/16/20	400	na	nm	nm	nm	Health Care Equipment
Syneos Health, Inc.	Synteract, Inc.	10/28/20	400	400	nm	nm	nm	Life Sciences Tools and Services
PerkinElmer (UK) Holdings Limited	Horizon Discovery Group plc	11/2/20	396	366	5.19	nm	nm	Life Sciences Tools and Services
10x Genomics, Inc.	ReadCoor, Inc.	10/5/20	350	350	nm	nm	nm	Life Sciences Tools and Services
Olympus Corporation of the Americas	Veran Medical Technologies, Inc.	12/4/20	340	340	12.23	nm	nm	Health Care Equipment
Novartis AG	Vedere Bio, Inc.	10/29/20	280	280	nm	nm	nm	Biotechnology
Sanofi	Kiadis Pharma N.V.	11/2/20	274	251	1448.04	nm	nm	Biotechnology
Novozymes A/S	Physicians Exclusive, LLC	12/18/20	250	250	nm	nm	nm	Biotechnology

Transaction values over \$100 million; Presented in \$millionsData

Source: Capital IQ

Mergers & Acquisitions *(continued)*

Announced Transactions from September 30, 2020 to December 31, 2020								
Acquirer	Target	Announce Date	Transaction Value	Implied EV	Implied EV			Target Sector
					Revenue	EBIT	EBITDA	
Zimmer Biomet Holdings, Inc.	A&E Medical Corporation	12/1/20	250	250	nm	nm	nm	Health Care Equipment
Sana Biotechnology, Inc.	Oscine Corp.	10/30/20	234	234	nm	nm	nm	Biotechnology
Tang Capital Management, LLC; Tang Capital Partners, LP	Aptevo Therapeutics Inc.	11/18/20	157	220	6.41	nm	nm	Biotechnology
Alphatec Holdings, Inc.	EOS imaging SA	12/16/20	154	142	4.45	nm	nm	Health Care Equipment
Sana Biotechnology, Inc.	Cytocardia, Inc.	11/10/20	148	148	nm	nm	nm	Biotechnology
Coloplast A/S	Nine Continents Medical, Inc.	11/3/20	145	145	nm	nm	nm	Health Care Equipment
MultiPlan Corporation	HSTechnology Solutions, Inc.	11/10/20	140	140	nm	nm	nm	Health Care Technology
Olive AI, Inc.	Verata Health, Inc.	12/3/20	120	120	nm	nm	nm	Health Care Technology
Inspeks Group plc	Eschenbach Holding GmbH	11/19/20	112	112	0.66	nm	9.2	Health Care Equipment
AnGes, Inc.	Emendo Bio, Inc.	11/9/20	106	106	nm	nm	nm	Biotechnology

Transaction values over \$100 million; Presented in \$millionsData

Source: Capital IQ

Industry Public Offerings

Completed Initial Public Offerings from September 30, 2020 to December 31, 2020

Issuer	Ticker	IPO Date	IPO Price	Gross Proceeds (\$mil)	12/31/20 Stock Price	Return Since IPO	12/31/20 Market Cap	LTM Rev. (\$mil)	LTM EBITDA (\$mil)	1 Yr FWD Rev. Growth	Industry
Kringle Pharma, Inc.	TSE:4884	12/28/20	\$9.63	\$5.6	\$12.84	33.3%	\$54.3	\$0.0	\$0.0	nm	Biotechnology
Towa Hi System Co., Ltd.	JASDAQ:4172	12/25/20	22.20	8.9	32.65	47.1%	70.8	0.0	0.0	nm	Health Care Technology
Mindbeacon Holdings Inc.	TSX:MBCN	12/23/20	6.23	50.6	9.40	51.0%	222.2	5.9	(4.6)	nm	Health Care Technology
Inhibikase Therapeutics, Inc.	NasdaqCM:IKT	12/22/20	10.00	18.0	6.90	-31.0%	69.4	0.8	0.0	nm	Biotechnology
GBS Inc.	NasdaqGM:GBS	12/22/20	17.00	21.6	7.40	-56.5%	83.6	0.1	0.0	nm	Health Care Equipment
Virios Therapeutics, LLC	NasdaqCM:VIRI	12/16/20	10.00	30.0	7.51	-24.9%	58.8	0.0	0.0	nm	Biotechnology
Abingdon Health Plc	AIM:ABDX	12/15/20	1.29	29.6	1.29	0.0%	123.5	0.0	0.0	nm	Health Care Equipment
BioAtla, Inc.	NasdaqGM:BCAB	12/15/20	18.00	189.0	34.01	88.9%	1,144.9	2.6	(13.5)	nm	Biotechnology
AbCellera Biologics Inc.	NasdaqGS:ABCL	12/10/20	20.00	483.0	40.24	101.2%	10,832.1	28.4	(2.8)	nm	Life Sciences Tools and Services
Certara, Inc.	NasdaqGS:CERT	12/10/20	23.00	668.3	33.72	46.6%	5,295.4	232.7	73.8	nm	Health Care Technology
4D Molecular Therapeutics, Inc.	NasdaqGS:FDMT	12/10/20	23.00	193.2	41.45	80.2%	1,098.2	16.6	(51.1)	nm	Biotechnology
Vivos Therapeutics, Inc.	NasdaqCM:VVOS	12/10/20	6.00	21.0	5.91	-1.5%	107.5	12.8	(7.6)	nm	Health Care Equipment
Silverback Therapeutics, Inc.	NasdaqGM:SBTX	12/4/20	21.00	241.5	46.34	120.7%	1,612.2	0.0	(24.4)	nm	Biotechnology
Sigilon Therapeutics, Inc.	NasdaqGS:SGTX	12/3/20	18.00	126.0	48.03	166.8%	1,500.5	12.7	(47.9)	0.7%	Biotechnology
Seer, Inc.	NasdaqGS:SEER	12/3/20	19.00	175.0	56.14	195.5%	3,731.7	0.4	(24.7)	446.1%	Life Sciences Tools and Services
Lixte Biotechnology Holdings, Inc.	NasdaqCM:LIXT	11/25/20	4.75	5.7	3.17	-33.3%	39.2	0.0	0.0	nm	Biotechnology
Maravai LifeSciences Holdings, Inc.	NasdaqGS:MRVI	11/19/20	27.00	1,620.0	28.05	3.9%	2,815.7	143.1	48.4	92.3%	Life Sciences Tools and Services
Sotera Health Company	NasdaqGS:SHC	11/19/20	23.00	1,071.8	27.44	19.3%	7,801.8	794.8	430.0	8.7%	Life Sciences Tools and Services

Data Source: Capital IQ

Industry Public Offerings *(continued)*

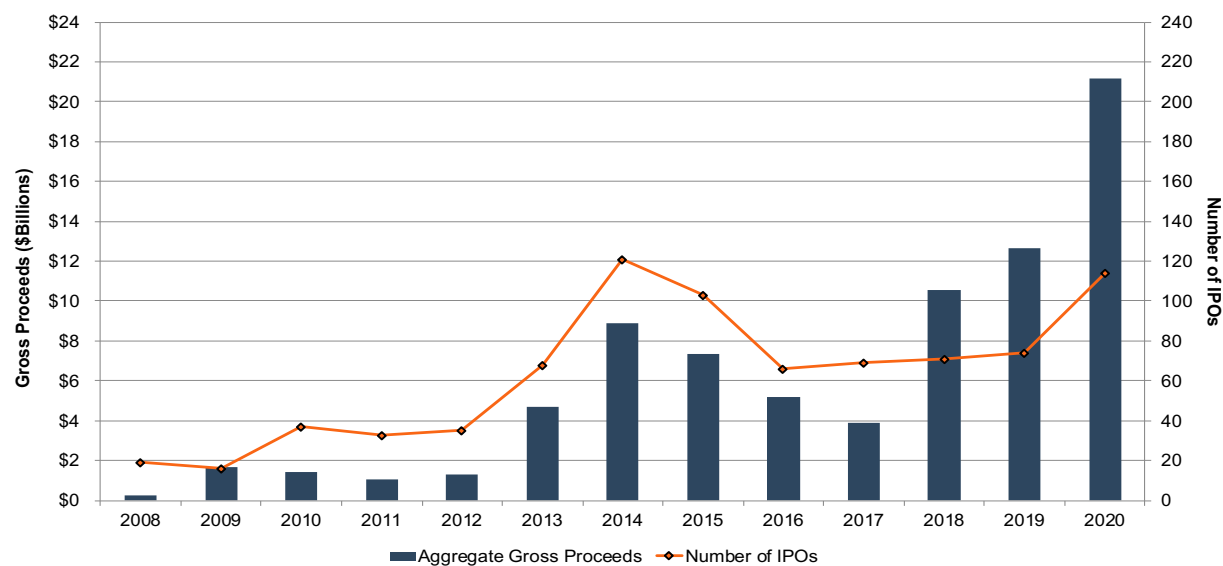
Completed Initial Public Offerings from September 30, 2020 to December 31, 2020

Issuer	Ticker	IPO Date	IPO Price	Gross Proceeds (\$mil)	12/31/20 Stock Price	Return Since IPO	12/31/20 Market Cap	LTM Rev. (\$mil)	LTM EBITDA (\$mil)	1 Yr FWD Rev. Growth	Industry
Luxbright AB (publ)	OM:LXB	11/19/20	0.32	4.1	0.40	26.2%	12.0	0.1	(0.9)	nm	Health Care Equipment
Olema Pharmaceuticals, Inc.	NasdaqGS:OLMA	11/18/20	19.00	209.0	48.08	153.1%	1,840.2	0.0	(12.4)	nm	Biotechnology
Genomtec S.A.	na	11/9/20	2.90	2.1	na	nm	na	0.0	0.0	nm	Biotechnology
Prostatype Genomics AB (publ)	OM:PROGEN	11/3/20	1.09	4.2	1.74	59.4%	23.0	0.4	0.0	nm	Biotechnology
Verici Dx plc	AIM:VRCL	10/30/20	0.26	18.8	0.80	208.2%	113.2	0.0	0.0	nm	Biotechnology
SQZ Biotechnologies Company	NYSE:SQZ	10/29/20	16.00	70.6	28.98	81.1%	716.3	24.8	(28.9)	-17.9%	Biotechnology
Galecto, Inc.	NasdaqGS:GLTO	10/28/20	15.00	85.0	12.51	-16.6%	316.0	0.0	(30.1)	nm	Biotechnology
Dancann Pharma A/S	NGM:DANCAN	10/28/20	3.55	4.7	0.53	-85.1%	11.0	0.0	0.0	nm	Biotechnology
PatientSky Group AS	OB:PSKY	10/23/20	1.10	54.0	1.69	53.3%	336.4	0.0	0.0	nm	Health Care Technology
Foghorn Therapeutics Inc.	NasdaqGM:FHTX	10/22/20	16.00	120.0	20.27	26.7%	721.4	0.2	(55.6)	1436.3%	Biotechnology

Data Source: Capital IQ

Industry Public Offerings (continued)

Medtech & Device IPOs



Source: Capital IQ; Mercer Capital Analysis



Mercer Capital

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