

VALUE FOCUS

Medtech & Device Industry

Second Quarter 2022

The quarterly update 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 first quarter of 2022.

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Five Trends to Watch in the Medical Device Industry

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Medical Devices Overview

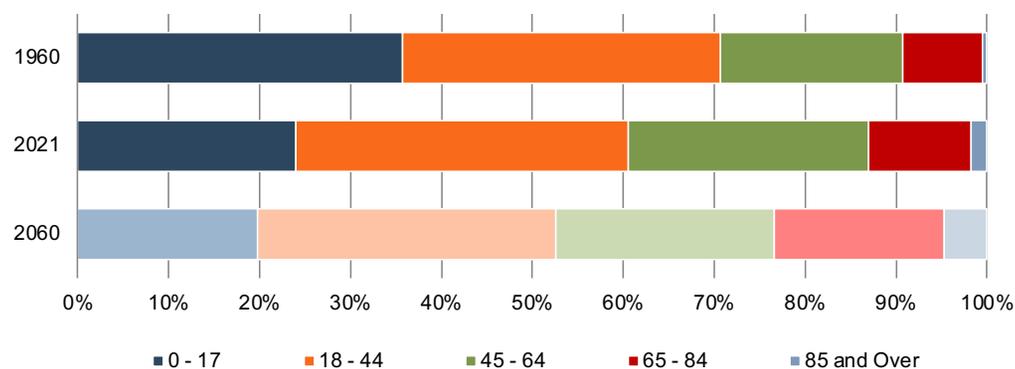
The medical device manufacturing industry produces equipment designed to diagnose and treat patients within global healthcare systems. Medical devices range from simple tongue depressors and bandages to complex programmable pacemakers and sophisticated imaging systems. Major product categories include 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 40.3 million in 2021 (13% of the population). The **U.S. Census Bureau estimates** that the elderly will more than double by 2060 to 95 million, representing 23% of the total population.

U.S. Population Distribution by Age Group

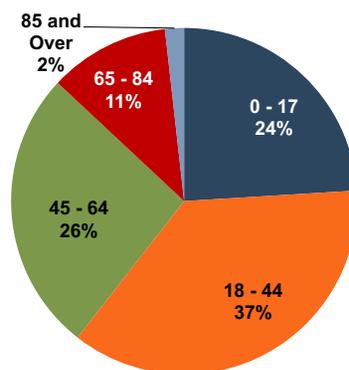


Source: S&P Capital IQ Pro

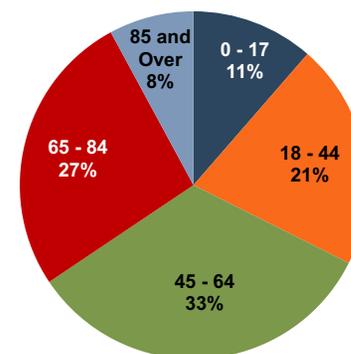
Five Trends to Watch in the Medical Device Industry (cont.)

The elderly account for nearly one third of total healthcare consumption in the U.S. 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 Expenditure by Age

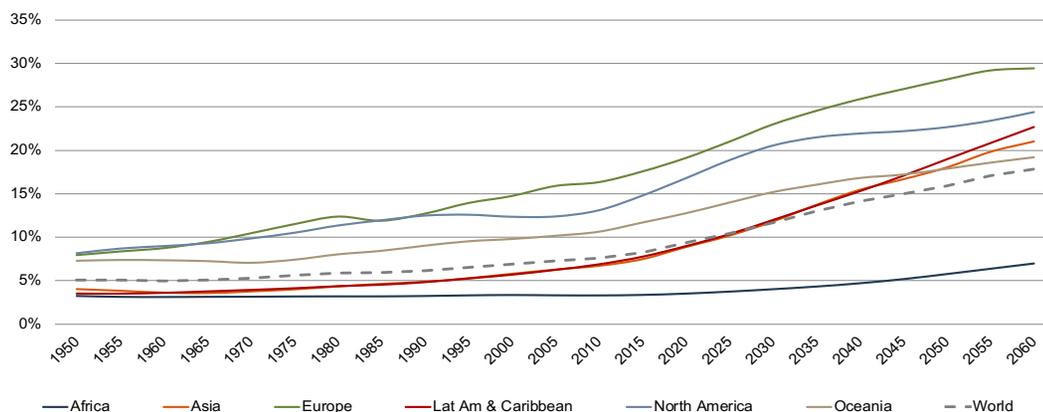


Source: U.S. Census Bureau, Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group

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.

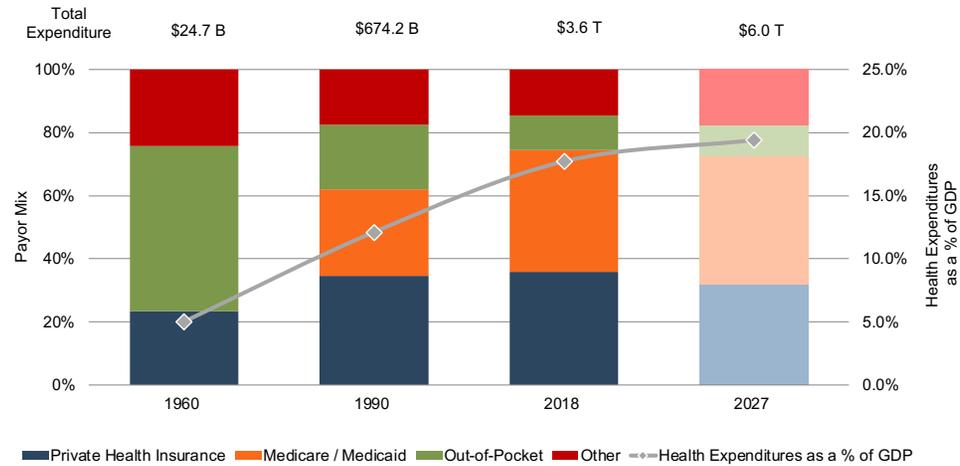
2. Healthcare Spending and the Legislative Landscape in the U.S.

Demographic shifts underlie the expected growth in total U.S. healthcare expenditure from \$4.1 trillion in 2020 to \$6.2 trillion in 2028, an average annual growth rate of 5.4%. This projected average **annual growth rate** is faster than the observed rate of 3.9% between 2009 and 2018. Projected growth in annual spending for Medicare (4.3%) and Medicaid (5.6%) is expected to contribute substantially to the increase in national health expenditure over the coming decade. However, growth in national healthcare spending **has slowed in 2021** to 4.2%, down from 9.7% in 2020. Healthcare spending as a percentage of GDP is expected to remain virtually **unchanged** from 19.7% in 2020 to 19.6% by 2030.

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 2020. **Medicare also accounts** for 25% of hospital spending, 30% of retail prescription drugs sales, and 23% of physician services.

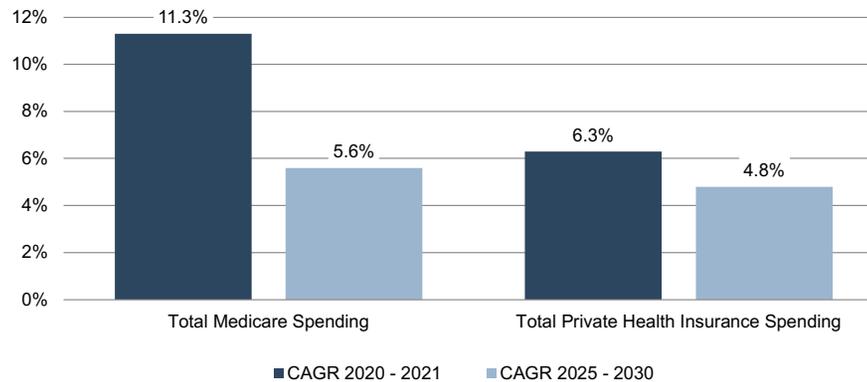
Five Trends to Watch in the Medical Device Industry (cont.)

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: CMS

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 \$776 billion in 2020 and are **expected to reach \$1.5 trillion** by 2030.

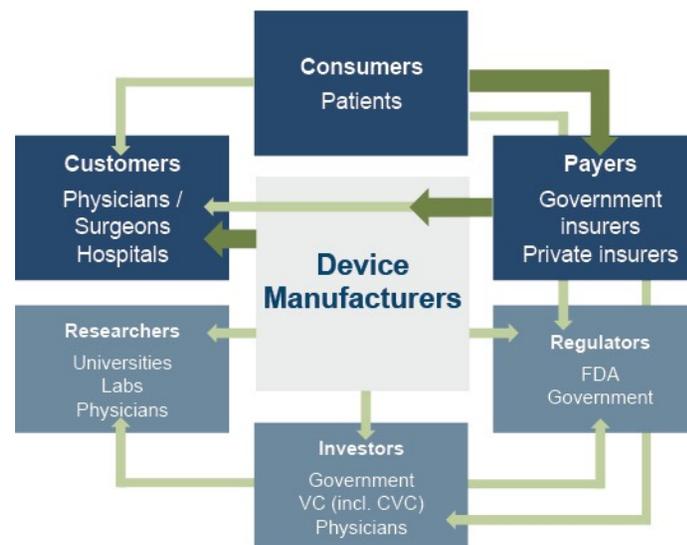
The Patient Protection and Affordable Care Act ("ACA") of 2010 incorporated changes that are expected to constrain annual growth in Medicare spending over the next several decades, including reductions in Medicare payments to plans and providers, increased revenues, and new delivery system reforms that 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 occurs in the near future under the Biden Administration. Total Medicare spending is **projected to grow** at 5.6% annually between 2025 and 2030, compared to year over year growth of 11.3% in 2021 and 3.5% in 2020.

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.

Five Trends to Watch

in the Medical Device Industry (cont.)



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.

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.

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

In 2020, CMS released guidance for states on how to advance value-based care 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.

4. Competitive Factors and Regulatory Regime

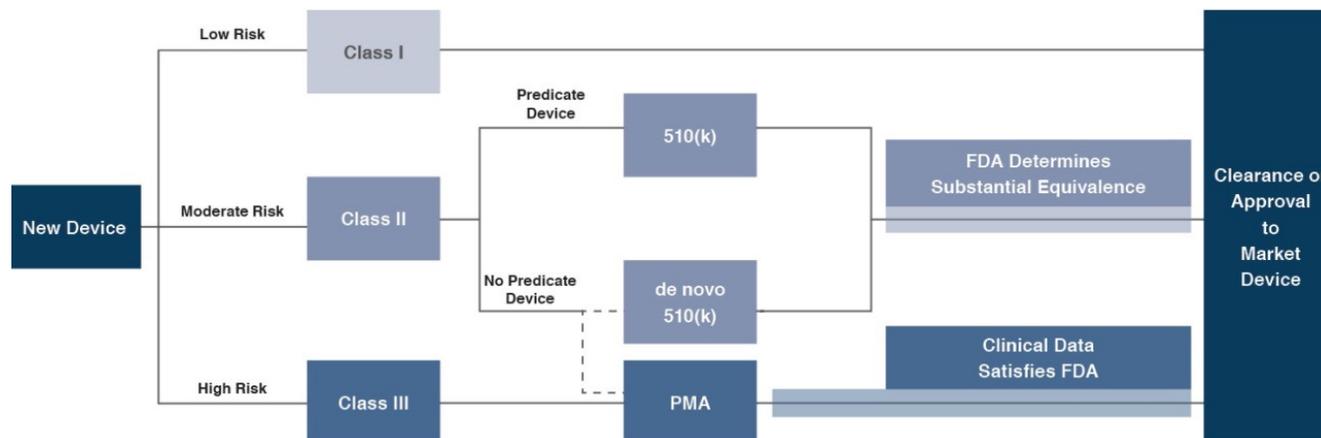
Historically, much of the growth of medical technology companies has been predicated on continual product innovations that make devices easier for doctors to use and improve health outcomes for the patients. Successful product development usually requires significant R&D outlays and a measure of luck. 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.

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

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 US 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. The FDA and industry groups **reached a deal** for MDUFA V, slated to go into effect beginning fiscal 2023, which would generate up to \$1.9 billion in fees to the agency over five years. The U.S. House of Representatives passed MDUFA V in June 2022 and the Senate is **expected to follow suit** by September 2022.

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.

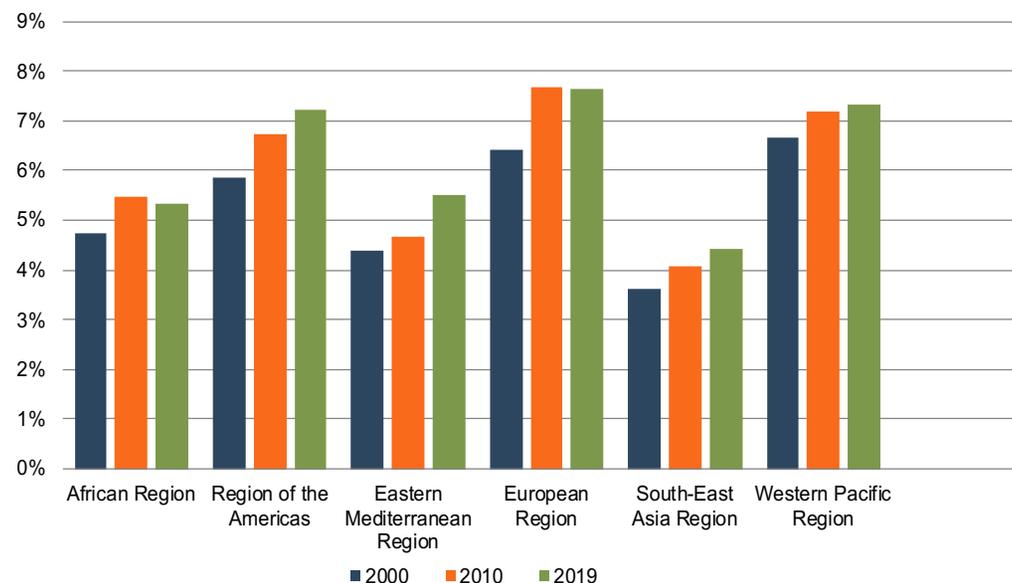
Medical device manufacturers **face a single regulatory body** across the EU. In order for a medical device to be allowed on the market, it must meet the requirements set by the EU Medical Devices Directive. Devices must receive a Conformité Européenne (CE) Mark certificate before they are allowed to 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.

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

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 incomes increase. 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

World Health Expenditure as a % of GDP



Source: The World Bank

Five Trends to Watch

in the Medical Device Industry (cont.)

Asia) have seen an increase in healthcare spending as a percentage of total output over the last two decades.

Global medical device sales are estimated to increase 5.4% annually from 2021 to 2028, reaching nearly \$658 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.

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.

Stock Market Performance

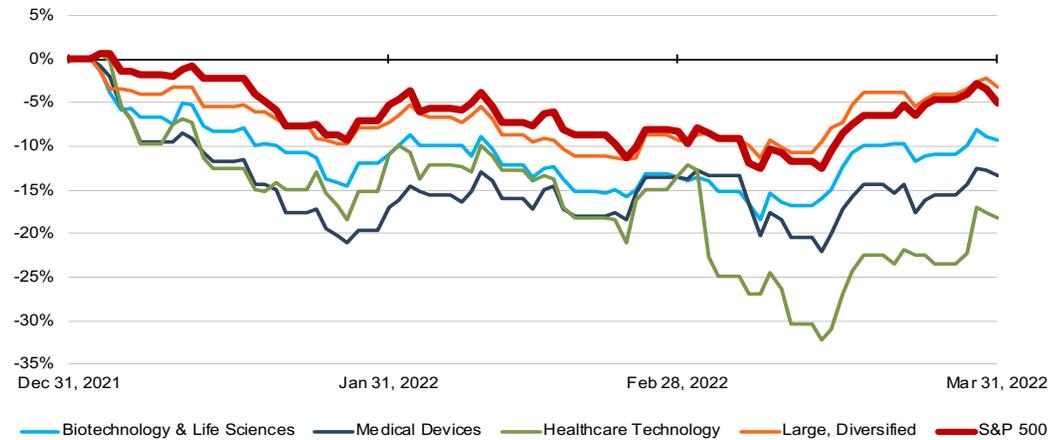
Industry stock price performance was negative during the first quarter of 2022. With the exception of the large, diversified group, all other subsectors of the industry underperformed the overall market, itself sluggish. The S&P 500 declined 4.9% during the period. The healthcare technology subsector, which began a marked decline in the second half of 4Q21, perhaps provided a preview for much of the industry. For the most part, the lackluster stock price performance during the first quarter of 2022 was attributable to shrinking valuation multiples as a general repricing of risk appeared to get underway. Expectations of forward cash flow performance, for the most part, had not deteriorated (yet). With interest rates expected to rise, industry (and subsector) performance during 1Q22 likely presages bigger changes over the remainder of the year. In addition to generally increasing the cost of capital, a relatively higher rate environment could also shift the market's preference from growth-focused companies to steadier cash-flowing businesses.

- A market-capitalization weighted index of companies included in our biotechnology and life sciences sector decreased 9.3% over the quarter ended March 2022. The top performer of the group was Vertex Pharmaceuticals, which posted a 18.8% return. VRTX discovers, develops, and commercializes pharmaceutical products for the treatment of cystic fibrosis, cancer, inflammatory bowel, autoimmune disease, and neurological disorders.
- The medical device sector index declined 13.3% in 1Q22. The group's best performer was Teleflex which returned 8.1%. TFX primarily develops, manufactures and supplies single-use medical devices used by hospitals and healthcare providers for common diagnostic and therapeutic procedures in critical care and surgical applications.
- The healthcare technology sector decreased 18.2% over the period. Allscripts Healthcare Solutions, rising 22.1% over the period, outperformed all other constituents of the group. MDRX develops and markets clinical software for 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 decreased 3.2% over the quarter. The top performer within the group was AbbVie which increased 21.0% during the period. ABBV researches and develops pharmaceutical drugs for specialty therapeutic areas such as immunology, chronic kidney disease, hepatitis C, women's health, oncology, and neuroscience.

Stock Market Performance

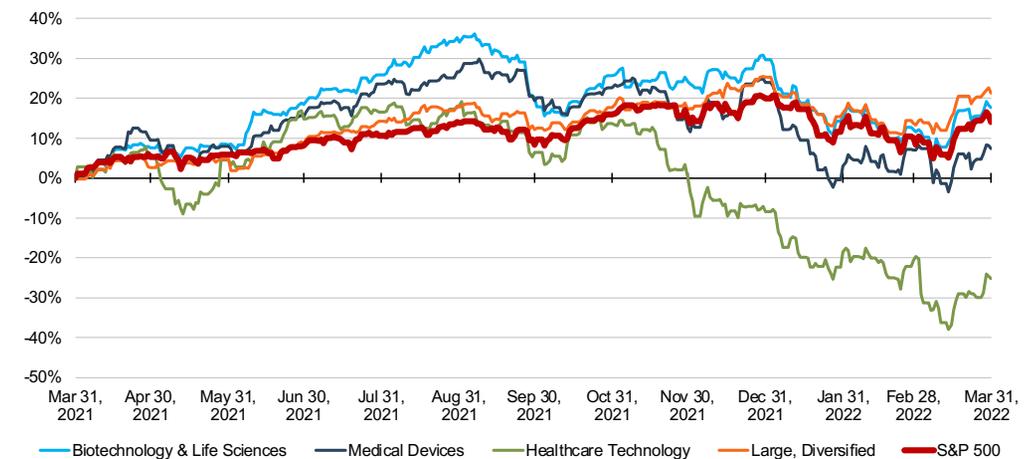
(cont.)

1Q 2022 Stock Price Performance



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

LTM Stock Price Performance



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

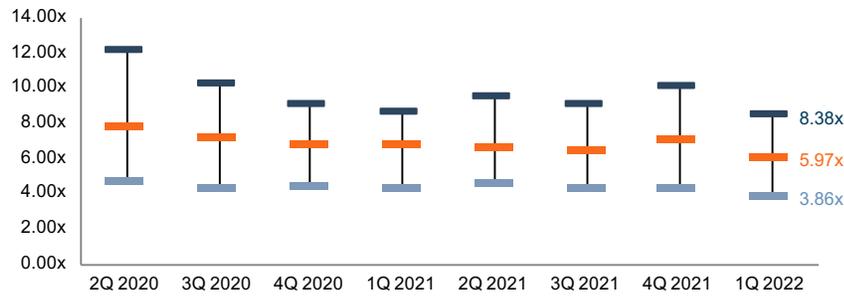
Revenue Multiples

■ 75% Quartile ■ Median ■ 25% Quartile

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

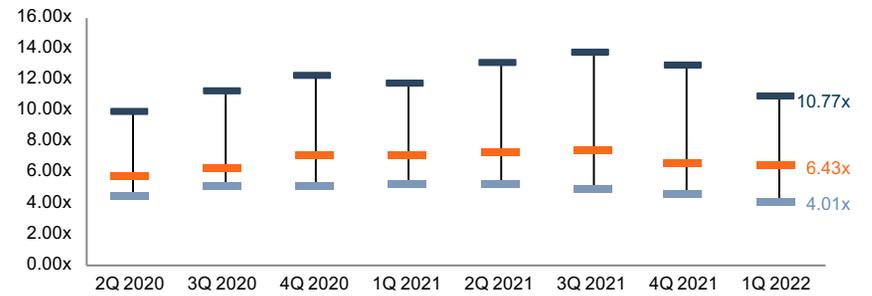
Biotechnology & Life Sciences

EV / Trailing LTM Revenue



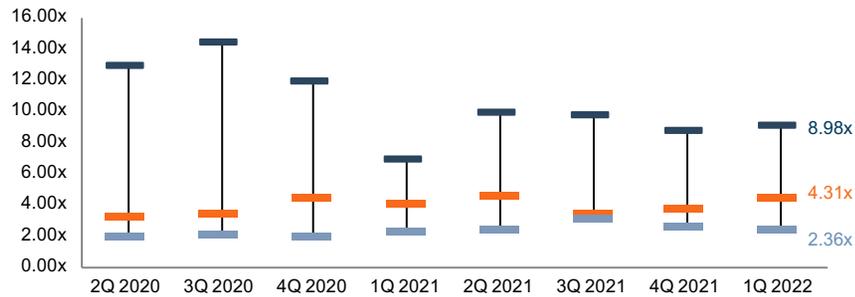
Medical Devices

EV / Trailing LTM Revenue



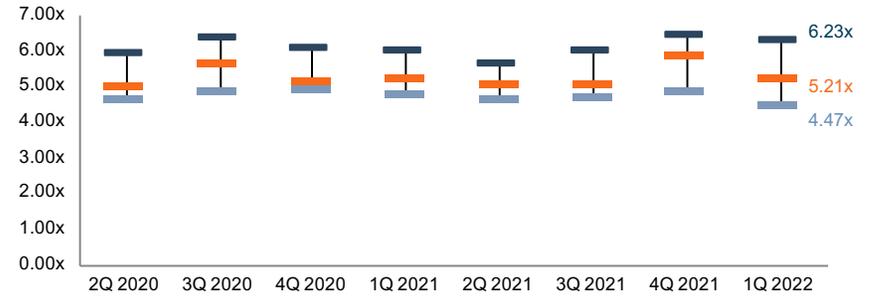
Healthcare Technology

EV / Trailing LTM Revenue



Large, Diversified

EV / Trailing LTM Revenue



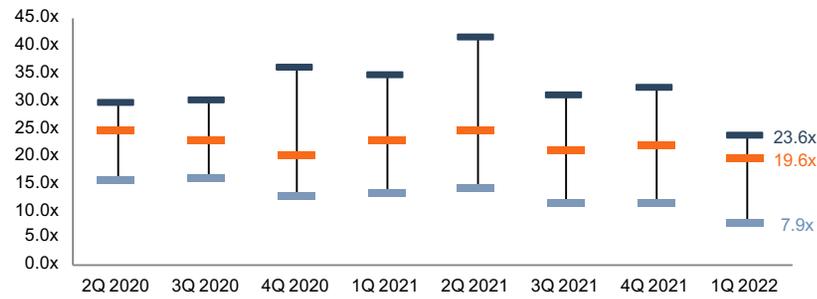
EBITDA Multiples

■ 75% Quartile ■ Median ■ 25% Quartile

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

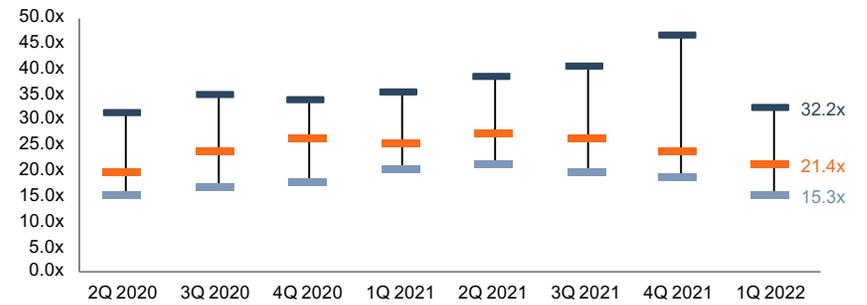
Biotechnology & Life Sciences

EV / Trailing LTM EBITDA



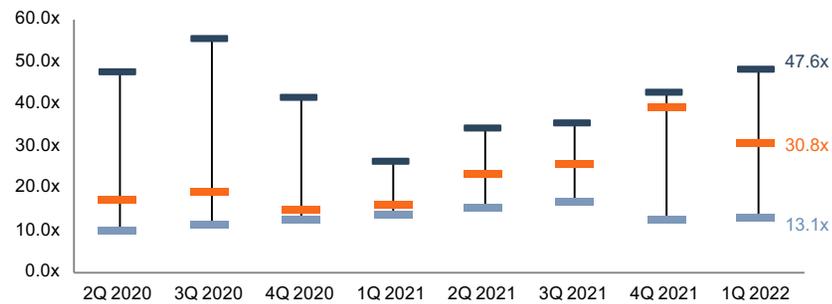
Medical Devices

EV / Trailing LTM EBITDA



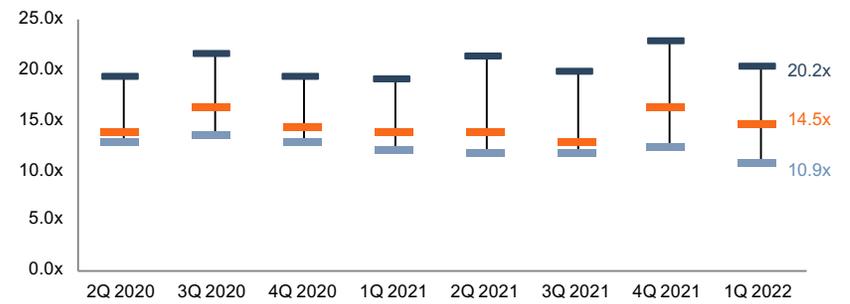
Healthcare Technology

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 | |
|-------------------------------|------------------|--------------|----------------------|--------------|-------------------|-------------|-------------------|--------------|
| | 1Q 2022 | 4Q 2021 | 1Q 2022 | 4Q 2021 | 1Q 2022 | 4Q 2021 | 1Q 2022 | 4Q 2021 |
| Biotechnology & Life Sciences | 64.1% | 69.3% | 20.6% | 22.7% | 18.2% | 18.1% | 26.9% | 29.5% |
| Medical Devices | 65.6% | 67.4% | 18.5% | 22.4% | 6.9% | 7.0% | 32.6% | 31.0% |
| Healthcare Technology | 59.7% | 59.0% | 5.1% | 4.4% | 13.2% | 13.0% | 17.7% | 17.5% |
| Large, Diversified | 57.0% | 57.9% | 25.2% | 24.6% | 8.3% | 8.6% | 34.0% | 35.4% |
| Overall Median | 62.4% | 62.9% | 19.1% | 20.0% | 7.7% | 7.7% | 27.9% | 29.6% |

| Sector | Revenue Growth | | L-T FWD Op. Earn. Growth | | Debt / EV | | Debt / EBITDA | |
|-------------------------------|----------------|--------------|--------------------------|--------------|--------------|-------------|---------------|------------|
| | Q / Q | Y / Y | 1Q 2022 | 4Q 2021 | 1Q 2022 | 4Q 2021 | 1Q 2022 | 4Q 2021 |
| Biotechnology & Life Sciences | 2.6% | 17.2% | 9.4% | 17.5% | 6.7% | 4.7% | 1.2 | 1.0 |
| Medical Devices | 2.3% | 14.6% | 11.0% | 12.8% | 9.4% | 9.4% | 1.1 | 1.1 |
| Healthcare Technology | 5.6% | 10.7% | 11.2% | 11.5% | 7.2% | 6.6% | 0.2 | 0.3 |
| Large, Diversified | 2.9% | 14.2% | 5.8% | 8.2% | 15.8% | 14.2% | 2.3 | 2.3 |
| Overall Median | 2.7% | 14.4% | 9.8% | 11.4% | 10.0% | 8.5% | 1.3 | 1.6 |

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 | |
|--|------|---------|---------|---------|---------------|--------|----------|----------|------------|------------|---------|-----------|-------------|-----------------|---------|
| | | 1Q 2022 | 4Q 2021 | 1Q 2021 | Qtrly | Annual | | | | 1Q 2022 | 1Q 2022 | | | 1Q 2022 | FY 2023 |
| Biotechnology & Life Sciences | | | | | | | | | | | | | | | |
| Biogen Inc | BIIB | \$211 | \$240 | \$280 | -12.2% | -24.7% | \$33,699 | \$10,820 | \$4,217 | \$3,407 | \$3,430 | 3.11x | 8.0x | 9.9x | 9.8x |
| Bio-Rad Laboratories Inc | BIO | 563 | 756 | 571 | -25.5% | -1.4% | 13,345 | 2,896 | 682 | 670 | 787 | 4.61 | 19.6 | 19.9 | 17.0 |
| BioMarin Pharmaceutical Inc | BMRN | 77 | 88 | 76 | -12.7% | 2.1% | 14,224 | 1,880 | 37 | 238 | 658 | 7.57 | 384.4 | 59.7 | 21.6 |
| Sartorius Stedim Biotech | DIM | 413 | 547 | 411 | -24.6% | 0.4% | 38,495 | 3,593 | 943 | 1,250 | 1,340 | 10.71 | 40.8 | 30.8 | 28.7 |
| Eurofins Scientific SE | ERF | 100 | 124 | 95 | -19.6% | 4.8% | 22,850 | 15,887 | 4,369 | 1,555 | 1,601 | 1.44 | 5.2 | 14.7 | 14.3 |
| Gilead Sciences Inc | GILD | 59 | 71 | 61 | -17.1% | -4.0% | 93,073 | 27,472 | 12,484 | 12,874 | 12,234 | 3.39 | 7.5 | 7.2 | 7.6 |
| Illumina Inc | ILMN | 349 | 380 | 384 | -8.2% | -9.0% | 56,009 | 4,525 | (674) | 1,040 | 1,196 | 12.38 | nm | 53.8 | 46.8 |
| Incyte Corp | INCY | 79 | 73 | 81 | 8.2% | -2.3% | 15,068 | 3,115 | 690 | 789 | 1,249 | 4.84 | 21.8 | 19.1 | 12.1 |
| IQVIA Holdings Inc | IQV | 231 | 282 | 193 | -18.1% | 19.7% | 55,595 | 14,033 | 2,824 | 3,342 | 3,695 | 3.96 | 19.7 | 16.6 | 15.0 |
| Lonza Group AG | LONN | 725 | 828 | 555 | -12.5% | 30.6% | 53,509 | 5,915 | (915) | 1,938 | 2,234 | 9.05 | nm | 27.6 | 24.0 |
| Mettler-Toledo International Inc | MTD | 1,373 | 1,697 | 1,156 | -19.1% | 18.8% | 32,976 | 3,811 | 1,142 | 1,210 | 1,308 | 8.65 | 28.9 | 27.3 | 25.2 |
| Regeneron Pharmaceuticals Inc | REGN | 698 | 632 | 473 | 10.6% | 47.6% | 63,098 | 16,508 | 9,521 | 6,255 | 6,283 | 3.82 | 6.6 | 10.1 | 10.0 |
| Vertex Pharmaceuticals Inc | VRTX | 261 | 220 | 215 | 18.8% | 21.4% | 59,071 | 7,948 | 4,184 | 5,081 | 5,464 | 7.43 | 14.1 | 11.6 | 10.8 |
| Waters Corp | WAT | 310 | 373 | 284 | -16.7% | 9.2% | 19,812 | 2,786 | 956 | 1,027 | 1,089 | 7.11 | 20.7 | 19.3 | 18.2 |

(\$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 | | |
|----------------------------|-------|---------|---------|---------|---------------|--------|----------|---------|------------|------------|-----------|-------------|-----------------|---------|---------|
| | | 1Q 2022 | 4Q 2021 | 1Q 2021 | Qtrly | Annual | | | | | | | 1Q 2022 | 1Q 2022 | 1Q 2022 |
| Medical Devices | | | | | | | | | | | | | | | |
| Terumo Corp | 4543 | \$31 | \$42 | \$36 | -27.0% | -14.6% | \$23,839 | \$6,143 | \$1,630 | \$198,507 | \$222,015 | 3.88x | 14.6x | 0.1x | 0.1x |
| Systemx Corp | 6869 | 73 | 134 | 107 | -45.4% | -31.4% | 15,020 | 3,043 | 811 | 108,405 | 117,246 | 4.94 | 18.5 | 0.1 | 0.1 |
| Olympus Corp | 7733 | 19 | 23 | 21 | -15.8% | -6.5% | 26,498 | 7,378 | 1,736 | 255,478 | 271,885 | 3.59 | 15.3 | 0.1 | 0.1 |
| ABIOMED Inc | ABMD | 331 | 359 | 319 | -7.8% | 3.9% | 14,278 | 935 | 322 | 304 | 364 | 15.27 | 44.3 | 47.0 | 39.2 |
| Align Technology Inc | ALGN | 436 | 657 | 542 | -33.7% | -19.5% | 33,339 | 4,031 | 1,062 | 1,139 | 1,413 | 8.27 | 31.4 | 29.3 | 23.6 |
| Baxter International Inc | BAX | 77 | 85 | 83 | -9.4% | -6.8% | 54,256 | 13,545 | 3,314 | 4,031 | 4,288 | 4.01 | 16.4 | 13.5 | 12.7 |
| Boston Scientific Corp | BSX | 44 | 42 | 39 | 4.3% | 14.6% | 72,668 | 12,162 | 3,390 | 3,747 | 4,138 | 5.98 | 21.4 | 19.4 | 17.6 |
| Coloplast A/S | COLOB | 152 | 174 | 147 | -12.8% | 3.2% | 30,693 | 3,157 | 1,151 | 7,719 | 8,836 | 9.72 | 26.7 | 4.0 | 3.5 |
| Edwards Lifesciences Corp | EW | 118 | 130 | 84 | -9.1% | 40.7% | 72,334 | 5,357 | 1,782 | 2,020 | 2,235 | 13.50 | 40.6 | 35.8 | 32.4 |
| Hologic Inc | HOLX | 77 | 77 | 74 | 0.3% | 3.3% | 20,977 | 5,494 | 2,746 | 1,973 | 1,341 | 3.82 | 7.6 | 10.6 | 15.6 |
| IDEXX Laboratories Inc | IDXX | 547 | 658 | 489 | -16.9% | 11.8% | 47,069 | 3,274 | 1,067 | 1,049 | 1,262 | 14.38 | 44.1 | 44.9 | 37.3 |
| Intuitive Surgical Inc | ISRG | 302 | 359 | 246 | -16.0% | 22.5% | 104,380 | 5,906 | 2,183 | 2,574 | 2,998 | 17.67 | 47.8 | 40.5 | 34.8 |
| ResMed Inc | RMD | 242 | 259 | 192 | -6.7% | 25.9% | 36,061 | 3,349 | 1,119 | 1,186 | 1,371 | 10.77 | 32.2 | 30.4 | 26.3 |
| Smith & Nephew PLC | SN/ | 16 | 17 | 18 | -7.1% | -12.7% | 16,074 | 5,212 | 1,431 | 1,363 | 1,460 | 3.08 | 11.2 | 11.8 | 11.0 |
| Stryker Corp | SYK | 267 | 267 | 241 | 0.2% | 10.8% | 114,046 | 17,430 | 4,884 | 5,088 | 5,572 | 6.54 | 23.4 | 22.4 | 20.5 |
| Teleflex Inc | TFX | 354 | 328 | 413 | 8.1% | -14.3% | 18,115 | 2,817 | 1,031 | 882 | 974 | 6.43 | 17.6 | 20.5 | 18.6 |
| Zimmer Biomet Holdings Inc | ZBH | 128 | 123 | 154 | 4.0% | -17.1% | 32,637 | 7,652 | 2,497 | 2,409 | 2,520 | 4.27 | 13.1 | 13.5 | 13.0 |

(\$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 | |
|-------------------------------------|------|---------|---------|---------|---------------|--------|----------|---------|------------|------------|----------|-----------|-------------|-----------------|---------|
| | | 1Q 2022 | 4Q 2021 | 1Q 2021 | Qtrly | Annual | | | | 1Q 2022 | 1Q 2022 | | | 1Q 2022 | FY 2023 |
| Healthcare Technology | | | | | | | | | | | | | | | |
| M3 Inc | 2413 | \$37 | \$50 | \$68 | -26.6% | -46.1% | \$24,081 | \$1,692 | \$646 | \$84,490 | \$98,576 | 14.23x | 37.3x | 0.3x | 0.2x |
| Change Healthcare Inc | CHNG | 22 | 21 | 22 | 2.0% | -1.4% | 11,548 | 3,264 | 963 | 1,122 | 1,188 | 3.54 | 12.0 | 10.3 | 9.7 |
| Craneware PLC | CRW | 22 | 33 | 29 | -32.6% | -25.0% | 546 | 76 | 19 | 52 | 56 | 7.23 | 28.8 | 10.6 | 9.8 |
| Doximity Inc | DOCS | 52 | 50 | na | 3.9% | | 4,759 | 243 | 26 | 193 | 249 | 19.57 | 182.9 | 24.6 | 19.1 |
| Evolent Health Inc | EVH | 32 | 28 | 20 | 16.7% | 59.9% | 3,069 | 990 | 60 | 91 | 125 | 3.10 | 51.1 | 33.8 | 24.6 |
| HealthStream Inc | HSTM | 20 | 26 | 22 | -24.4% | -10.8% | 596 | 259 | 46 | 52 | 57 | 2.31 | 13.0 | 11.4 | 10.5 |
| Allscripts Healthcare Solutions Inc | MDRX | 23 | 18 | 15 | 22.1% | 50.0% | 2,933 | 1,277 | 253 | 169 | 187 | 2.30 | 11.6 | 17.4 | 15.7 |
| NextGen Healthcare Inc | NXGN | 21 | 18 | 18 | 17.5% | 15.5% | 1,364 | 572 | 101 | 116 | 127 | 2.38 | 13.5 | 11.8 | 10.7 |
| Omniceil Inc | OMCL | 129 | 180 | 130 | -28.2% | -0.3% | 6,100 | 1,199 | 185 | 247 | 303 | 5.09 | 32.9 | 24.7 | 20.1 |
| Teladoc Health Inc | TDOC | 72 | 92 | 182 | -21.4% | -60.3% | 12,311 | 2,144 | (8) | 248 | 351 | 5.74 | nm | 49.6 | 35.1 |
| Tabula Rasa HealthCare Inc | TRHC | 6 | 15 | 46 | -61.6% | -87.5% | 529 | 322 | (13) | 12 | 22 | 1.64 | nm | 45.4 | 24.3 |
| Veeva Systems Inc | VEEV | 212 | 255 | 261 | -16.8% | -18.7% | 27,568 | 1,465 | 420 | 849 | 997 | 18.82 | 65.6 | 32.5 | 27.6 |

(\$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 | |
|------------------------------|------|---------|---------|---------|---------------|--------|----------|---------|------------|------------|---------|-----------|-------------|-----------------|---------|
| | | 1Q 2022 | 4Q 2021 | 1Q 2021 | Qtrly | Annual | | | | 1Q 2022 | 1Q 2022 | | | 1Q 2022 | FY 2023 |
| Large, Diversified | | | | | | | | | | | | | | | |
| Agilent Technologies Inc | A | \$132 | \$159 | \$126 | -17.0% | 4.6% | \$41,224 | \$6,319 | \$1,734 | \$1,923 | \$2,094 | 6.52x | 23.8x | 21.4x | 19.7x |
| AbbVie Inc | ABBV | 161 | 133 | 103 | 21.0% | 56.8% | 349,825 | 56,725 | 32,235 | 32,529 | 28,413 | 6.17 | 10.9 | 10.8 | 12.3 |
| Abbott Laboratories | ABT | 118 | 140 | 118 | -15.6% | 0.2% | 216,769 | 44,514 | 13,479 | 11,672 | 11,552 | 4.87 | 16.1 | 18.6 | 18.8 |
| Amgen Inc | AMGN | 240 | 221 | 239 | 8.4% | 0.3% | 163,937 | 26,316 | 15,365 | 15,158 | 15,271 | 6.23 | 10.7 | 10.8 | 10.7 |
| Becton Dickinson and Co | BDX | 258 | 244 | 233 | 6.1% | 10.9% | 89,117 | 19,927 | 6,779 | 4,693 | 5,209 | 4.47 | 13.1 | 19.0 | 17.1 |
| Danaher Corp | DHR | 293 | 329 | 224 | -10.8% | 30.7% | 230,804 | 29,453 | 10,568 | 10,511 | 11,059 | 7.84 | 21.8 | 22.0 | 20.9 |
| Johnson & Johnson | JNJ | 176 | 169 | 159 | 4.3% | 10.6% | 465,831 | 93,775 | 32,112 | 34,359 | 37,131 | 4.97 | 14.5 | 13.6 | 12.5 |
| Medtronic PLC | MDT | 111 | 103 | 116 | 7.9% | -4.0% | 164,219 | 30,117 | 8,108 | 8,916 | 10,690 | 5.45 | 20.3 | 18.4 | 15.4 |
| Koninklijke Philips NV | PHIA | 30 | 36 | 54 | -17.6% | -45.3% | 30,666 | 40,546 | 6,936 | 2,991 | 3,387 | 0.76 | 4.4 | 10.3 | 9.1 |
| PerkinElmer Inc | PKI | 174 | 201 | 128 | -13.2% | 36.2% | 26,378 | 5,067 | 1,847 | 1,345 | 1,286 | 5.21 | 14.3 | 19.6 | 20.5 |
| Roche Holding AG | ROG | 397 | 404 | 316 | -1.6% | 25.8% | 301,236 | 137,396 | 54,240 | 25,322 | 25,954 | 2.19 | 5.6 | 11.9 | 11.6 |
| Siemens Healthineers AG | SHL | 62 | 74 | 54 | -15.3% | 16.3% | 85,739 | 22,684 | 4,644 | 4,438 | 4,727 | 3.78 | 18.5 | 19.3 | 18.1 |
| Thermo Fisher Scientific Inc | TMO | 590 | 666 | 455 | -11.4% | 29.7% | 261,430 | 39,211 | 12,969 | 11,853 | 12,567 | 6.67 | 20.2 | 22.1 | 20.8 |

(\$Millions, except per share figures)

Data Source: Bloomberg

Mergers & Acquisitions

| Announced Transactions During 1Q 2022 | | | | | | | | |
|--|--------------------------------------|---------------|-------------------|------------|------------|-------|--------|----------------------------------|
| Acquirer | Target | Announce Date | Transaction Value | Implied EV | Implied EV | | | Target Sector |
| | | | | | Revenue | EBIT | EBITDA | |
| R1 RCM Inc. | Cloudmed | 1/10/22 | \$4,089 | \$4,089 | nm | nm | nm | Health Care Technology |
| Stryker Corporation | Vocera Communications, Inc. | 1/6/22 | 3,320 | 2,988 | 12.76 | nm | 225.3 | Health Care Technology |
| Warburg Pincus LLC; Mubadala Investment Company PJSC | PHARMA INTELLIGENCE U.K. LIMITED | 2/10/22 | 2,318 | 2,727 | nm | nm | nm | Life Sciences Tools and Services |
| Thermo Fisher Scientific Inc. | PeproTech, Inc. | 1/5/22 | 1,947 | 1,864 | nm | nm | nm | Life Sciences Tools and Services |
| AbbVie Inc. | Syndesi Therapeutics SA | 3/1/22 | 1,000 | 1,000 | nm | nm | nm | Biotechnology |
| Medtronic plc | Afera, Inc. | 1/10/22 | 925 | 946 | nm | nm | nm | Health Care Equipment |
| Fresenius Kabi Aktiengesellschaft | Mabxience Holding, S.L. | 3/31/22 | 550 | 1,000 | 3.53 | nm | nm | Biotechnology |
| ConvaTec Group Plc | Triad Life Sciences, Inc. | 1/28/22 | 450 | 450 | nm | nm | nm | Biotechnology |
| Vera Whole Health Inc. | Castlight Health, Inc. | 1/5/22 | 380 | 314 | 2.21 | nm | nm | Health Care Technology |
| Viveon Health Acquisition Corp. | Suneva Medical, Inc. | 1/12/22 | 372 | 372 | nm | nm | nm | Health Care Supplies |
| Equillum, Inc. | Bioniz Therapeutics, Inc. | 2/16/22 | 330 | 330 | nm | nm | nm | Biotechnology |
| Altaris Capital Partners, LLC | IntriCon Corporation | 2/28/22 | 246 | 221 | 1.77 | 118.7 | 21.8 | Health Care Equipment |
| TriLink BioTechnologies, Inc. | MyChem, LLC | 1/28/22 | 240 | 240 | nm | nm | nm | Biotechnology |
| Fresenius Kabi Aktiengesellschaft | Ivenix, Inc. | 3/31/22 | 240 | 240 | nm | nm | nm | Health Care Equipment |
| Intellia Therapeutics, Inc. | Rewrite Therapeutics, Inc. | 2/3/22 | 200 | 200 | nm | nm | nm | Biotechnology |
| Nano Precision Medical, Inc. | Second Sight Medical Products, Inc. | 2/7/22 | 183 | na | nm | nm | nm | Health Care Equipment |
| GoodRx Holdings, Inc. | vitaCare Prescription Services, Inc. | 3/7/22 | 157 | 157 | nm | nm | nm | Health Care Technology |
| Kerry Group plc | c-LEcta GmbH | 2/15/22 | 156 | 169 | nm | nm | nm | Biotechnology |

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

Source: Capital IQ

Initial Public Offerings

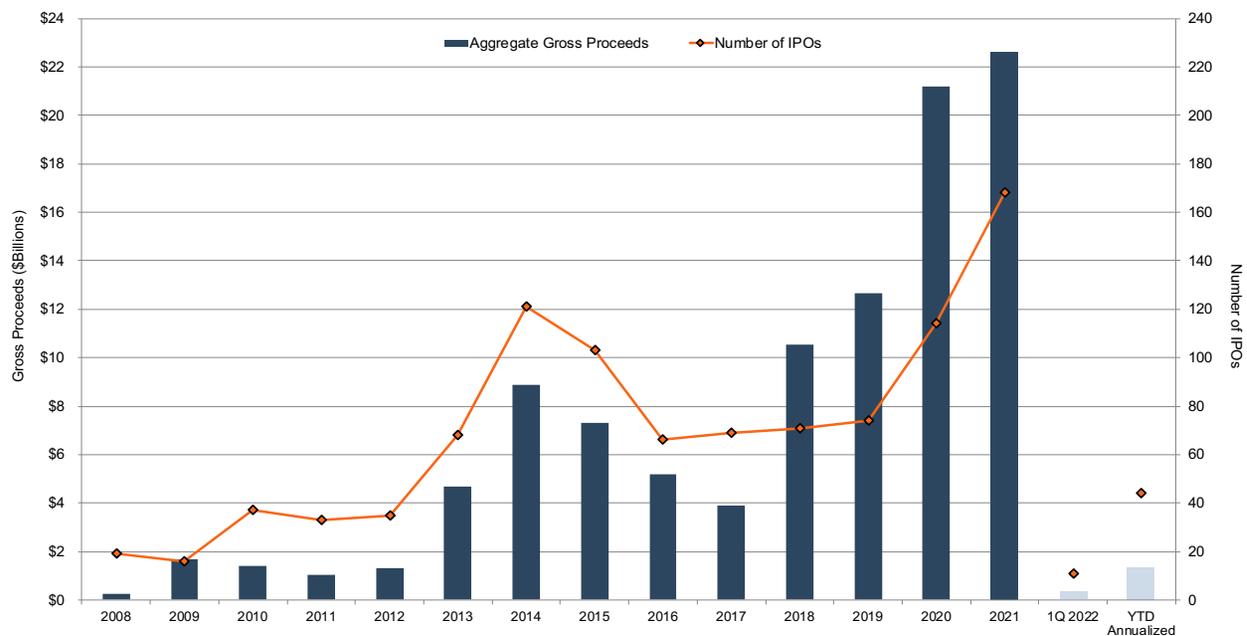
Completed Initial Public Offerings During 1Q 2022

| Issuer | Ticker | IPO Date | IPO Price | Gross Proceeds (\$mil) | 3/31/22 Stock Price | Return Since IPO | 3/31/22 Market Cap | Industry |
|-------------------------------------|---------------|----------|-----------|------------------------|---------------------|------------------|--------------------|------------------------|
| GeneTether Therapeutics Inc. | CNSX:GTTX | 3/29/22 | \$0.48 | \$0.0 | \$0.47 | -1.5% | \$19.7 | Biotechnology |
| Mental Health Technologies Co.,Ltd. | TSE:9218 | 3/28/22 | 5.11 | 6.4 | 7.74 | 51.6% | 74.4 | Health Care Technology |
| Blue Water Vaccines, Inc. | NasdaqCM:BWV | 2/18/22 | 9.00 | 20.0 | 56.50 | 527.8% | 624.2 | Biotechnology |
| Aelis Farma S.A. | ENXTPA:AELIS | 2/15/22 | 15.93 | 26.2 | 15.22 | -4.5% | 189.9 | Biotechnology |
| TC Biopharm (Holdings) Plc | NasdaqCM:TCBP | 2/10/22 | 4.24 | 17.5 | 1.43 | -66.3% | 40.1 | Biotechnology |
| Modular Medical, Inc. | NasdaqCM:MODD | 2/9/22 | 6.00 | 15.0 | 4.40 | -26.7% | 46.8 | Health Care Equipment |
| Nuvectis Pharma, Inc. | NasdaqCM:NVCT | 2/4/22 | 5.00 | 16.0 | 7.41 | 48.2% | 94.2 | Biotechnology |
| Arcellx, Inc. | NasdaqGS:ACLX | 2/3/22 | 15.00 | 123.8 | 14.02 | -6.5% | 501.0 | Biotechnology |
| Genflow Biosciences plc | LSE:GENF | 1/17/22 | 0.11 | 5.1 | 0.13 | 17.3% | 37.5 | Biotechnology |
| Hillstream BioPharma, Inc. | NasdaqCM:HILS | 1/12/22 | 4.00 | 15.0 | 1.60 | -60.0% | 16.5 | Biotechnology |
| Vigil Neuroscience, Inc. | NasdaqGS:VIGL | 1/7/22 | 14.00 | 98.0 | 7.03 | -49.8% | 198.7 | Biotechnology |

Data Source: Capital IQ

Initial Public Offerings
(continued)

Medtech & Device IPOs



Source: Capital IQ; Mercer Capital Analysis



Mercer Capital

www.mercercapital.com

