

# MEDICAL TECHNOLOGY M&A PULSE

THIRD QUARTER 2020



# Q3'20

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# PMCF Medical Technology Team

## ABOUT PMCF

P&M Corporate Finance ("PMCF"), a U.S. registered broker/dealer, is an investment bank focused exclusively on middle market transactions with professionals in Chicago, Detroit, Denver, and across the globe through Corporate Finance International partners. Offering a depth of advisory services, PMCF helps clients worldwide meet their sale, acquisition, financing, and strategic growth objectives. Additional information on PMCF can be found by visiting our website, [pmcf.com](http://pmcf.com).

## INVESTMENT BANKING SERVICES:

- Mergers & Acquisitions
- Carve-outs & Divestitures
- Strategic Assessments
- Transaction Readiness Planning
- Capital Raising



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## Medical Technology Industry Expertise

In the medical technology sector, it takes a highly focused approach to execute a transaction efficiently. And it requires the constant monitoring of new procedures, technology and product development, and overall market trends. At PMCF, our Medical Technology team brings this dedication and market knowledge to every transaction. Our transaction expertise in the medical device, bio-pharmaceutical, and healthcare sectors, combined with industry relationships and a proprietary healthcare consulting service offering, afford us a unique perspective in the industry.

Medical Devices	Contract Research	Clinical Services	Therapeutics
Healthcare	Contract Manufacturing	Behavioral Health	Managed Care
Drug Delivery	Bio-Pharmaceutical	Specialty Pharmacy	Specialty Services

## SELECT RECENT PMCF MEDICAL TECHNOLOGY TRANSACTIONS



# 2020 Q3 Market Summary

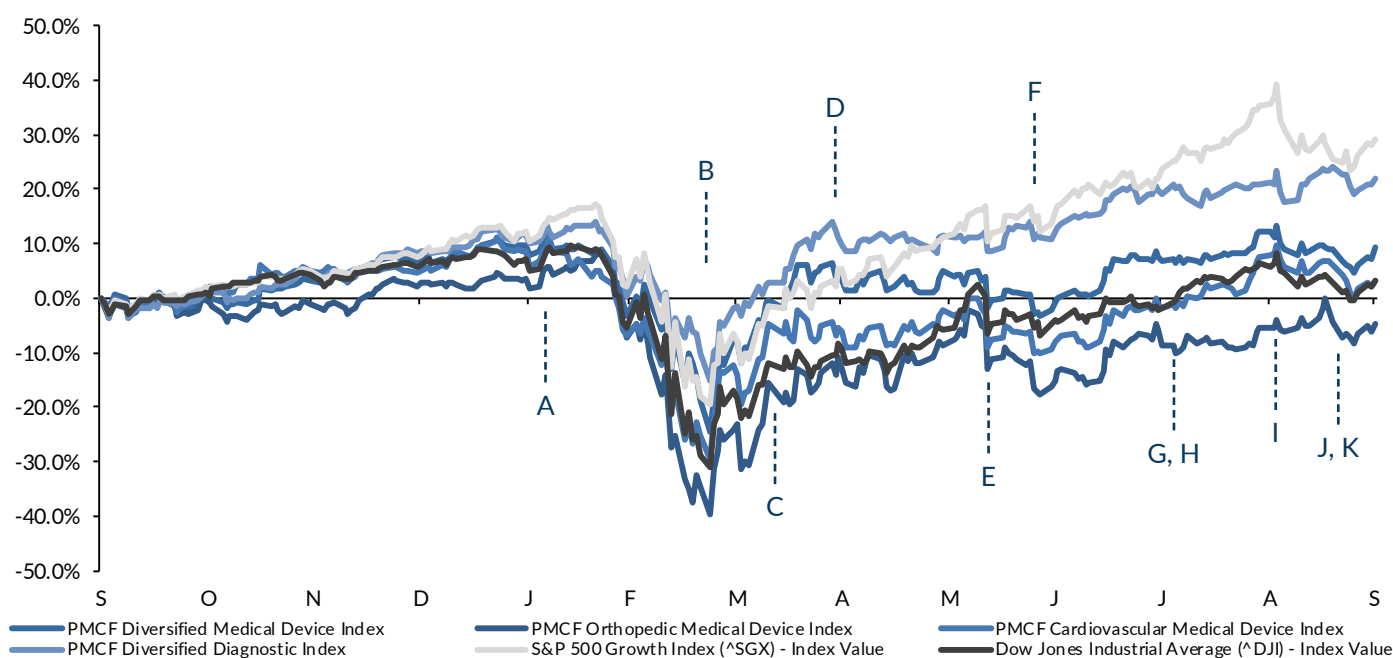
## MEDICAL TECHNOLOGY: SEARCHING FOR STABILITY IN THE NEW NORMAL

- 2020 has been a year like no other! In the center of it all medical equipment and consumable manufacturers, diagnostic test providers, and pharmaceutical / biotechnology developers have been working tirelessly in the effort to combat COVID-19. In addition to helping treat those who have contracted COVID-19, these companies have also been critical players in the push to develop and manufacture massive numbers of diagnostic tests, as well as to test and validate potential vaccines for the disease.
- Like nearly all publicly traded U.S. equities, the stock performance of PMCF's four Medical Technology indices turned negative during the spring months, with a rapid decline in valuations, followed by varying levels of recovery and growth. Aside from the Orthopedic Medical Device index, a sector particularly challenged by the effects of COVID-19 related shutdowns, the other indices outperformed the Dow Jones Industrial Average over the last twelve months, but underperformed the S&P 500 Growth Index.
- While PMCF's Medical Technology indices reacted sharply to previous COVID-19 milestones and events, the likely effect of the recent second wave spike in cases and vaccine data read outs remain unclear.

## KEY COVID-19 EVENTS TIMELINE

- January 4, 2020 | WHO Announces Pneumonia Cases of Unknown Cause
- February 28, 2020 | Stock Markets Report Largest Single Week Declines Since 2008 Financial Crisis
- March 11, 2020 | WHO Declares Novel Coronavirus Outbreak a Pandemic
- March 27, 2020 | CARES Act Signed Into Law
- May 11, 2020 | Numerous Asian and European Countries Begin Lifting Lockdown Orders
- May 27, 2020 | Total U.S. COVID-19 Deaths Exceed 100,000
- July 1, 2020 | European Union reopens borders to visitors from 15 countries; U.S. is not included
- July 7, 2020 | U.S. sends notice to the United Nations that it plans to withdraw from the W.H.O.
- August 8, 2020 | Total U.S. Cases of COVID-19 Exceed 5 Million
- September 28, 2020 | 1 Million Officially Recorded COVID-19 Deaths Worldwide
- October 2, 2020 | U.S. President Donald Trump Tests Positive for COVID-19 During Outbreak

## PMCF MEDICAL TECHNOLOGY INDICES PERFORMANCE



Sources: Capital IQ, PitchBook, Company Reports, Fraser

# What We're Discussing with Clients

## Zoom In For a Check-Up

### How Telehealth is Surging, and Why it Will Continue Beyond the COVID-19 ERA

- Forrester Predicts U.S. Telehealth Visits Will Exceed 1 Billion In 2020
- Telehealth Includes A Broad Swath Of Functions, Not Just Clinical Health Care
- Financing Activity In Telehealth Is Hot! 200+ Private Placements, Public Offerings, and M&A Transactions Have Been Announced Since The Start Of 2020

#### A Remote Panacea...

The allure of remote medicine is hard to dismiss. Did you come down with unexplained stomach bug while far from home on a business trip? Schedule a quick face to face session with your primary care physician from the comfort of your hotel room as easily as FaceTiming family at home. Your kids pick up a skin rash that you think should be checked out, but you don't want to potentially expose them to COVID-19 or other diseases by taking them into the doctor's office? Keep them in the comfort and safety of home and plop them in front of the computer where their pediatrician can take a look, saving you time and worry. While the basic technology enabling telehealth has existed for a number of years, 2020 will be remembered as its moment, the year when seeing a doctor virtually entered the mainstream. Over 1 billion telehealth visits are expected to take place in 2020, and while much of the immediate spike can be traced to health care system disruptions related to COVID-19, telehealth is here to stay.

#### ...Or Tech Difficulties Galore...

With telehealth though, come new challenges that the existing healthcare system isn't fully prepared to address. Throughout the pandemic healthcare providers have found themselves short staffed as they scramble to schedule sessions and meet patient needs. This has led to increased wait times for some patients, though still an improvement from the experience of waiting in a crowded doctor's office. There has also been confusion related to billing, with experts recommending that patients carefully document the services they receive so any surprise bills can be addressed. Finally, the revelation that despite the convenience of telehealth, some issues simply require face-to-face interaction to treat.

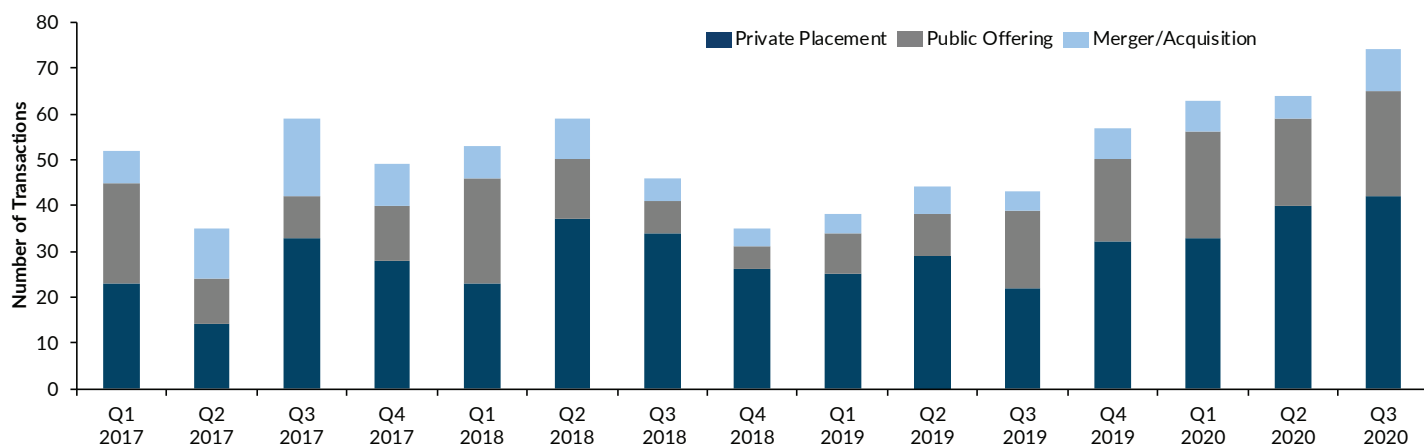
#### Consistent, Direct Communication With Stakeholders

Telehealth, parent to the more commonly referred to, but narrowly defined subcategory of telemedicine, is defined as the use of telecommunication tools in clinical health care, health education, and health administration. Telemedicine on the other hand, specifically refers to the virtual clinical services aspect of telehealth. Even prior to the massive disruption to traditional healthcare brought on by COVID-19, telehealth supporters were already advocating for its ability to deliver specialized and cost effective care to otherwise underserved rural areas. Insurers appear bullish on telehealth / telemedicine's potential, with Aetna stating in a recent email to HR Dive that "We believe telemedicine will continue to be a critical tool as we face the pandemic, and as a result, a more accepted option for care in the future."

# What We're Discussing with Clients

## Zoom In For a Check-Up (Continued)

### How Telehealth is Surging, and Why it Will Continue Beyond the COVID-19 ERA



#### Private Equity And Venture Capital Interest

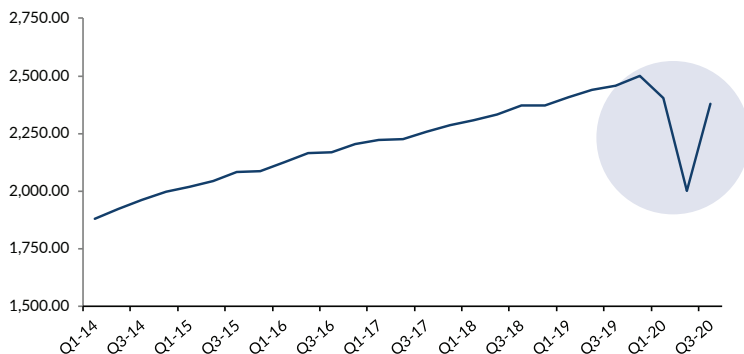
Private equity and venture capital investors have been some of the earliest adopters of telehealth. Their activity helped fuel the approximately 180 announced private placements, public offerings, and M&A transactions involving telehealth related companies in 2019. Despite COVID-19 related market disruptions, 2020 is already the most active year in PMCF's dataset, with 200+ transactions announced through Q3. This activity has included some of the largest players in the telehealth industry, such as Teladoc Health's (NYSE:TDOC) \$850M in convertible offering in May 2020, as well as early stage start-ups, like UK-based Visionable's \$8M Series A funding round June 2020, led by West Hill Capital. Chris Caulkin, Managing Director and Head of Technology for EMEA at General Atlantic, which recently led telehealth unicorn Doctolib's \$150M funding round commented on telehealth's immense potential in 2019, saying "We believe technology is in the early innings of transforming how patients and doctors engage with health care, and that there is significant potential to improve the service delivery model."

#### How Your Business Can Benefit

Telehealth's capabilities have helped businesses of all sizes navigate the challenges of operating during the COVID-19 pandemic and as importantly position for future growth. Some of the easiest and most beneficial services to offer remotely are patient screenings, consultations, and follow up office visit check-ups. These can typically be provided through a simple video conferencing application such as Zoom or Microsoft Teams. A key advantage is that patients are often familiar with these applications from business or personal use, minimizing some of the technical inconveniences of remote medicine. On the other hand, for more intensive telehealth services, or to offer patients a fully featured remote experience, providers may want to consider utilizing a dedicated telehealth platform. Some of the most popular include Updox, On Call, Well Health, Beam Health, Mend, and TheraNest. These programs are designed specifically for healthcare use, and include services such as payment processing, appointment scheduling, and custom patient forms. The benefits businesses see from adopting one of these dedicated platforms are often realized shortly after going live and can include reduced patient no-show rates, attracting / retaining more patients, lower costs for treating certain conditions, and minimized administrative work such as routine phone calls, preparing billing forms, and other record-keeping and scheduling functions.

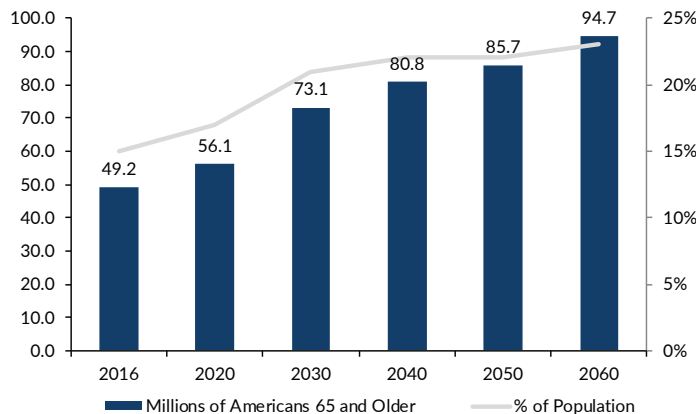
# Trends in Medical Technology

## U.S. PERSONAL HEALTH CARE SERVICES EXPENDITURES (\$B)



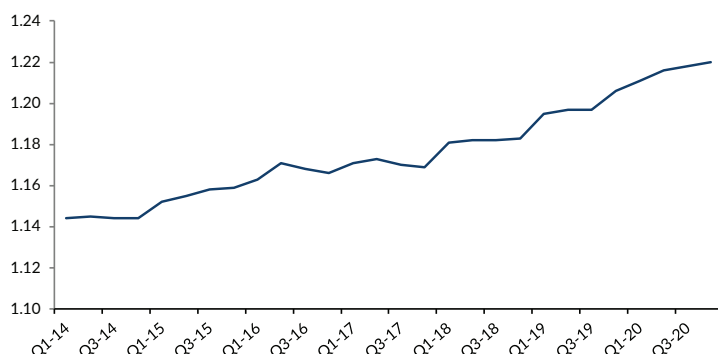
- Personal Health Care Service expenditures serve as a proxy for activity in the broader Healthcare and Medical industries, with high levels of service expenditures correlated with strong performance in other sectors.
- Overcoming a brief, but severe dip during the second quarter of 2020, when most elective procedures in the U.S. were put on hold due to efforts to combat the spread of the coronavirus, personal health care service expenditures are again growing healthily.

## UNITED STATES POPULATION BY AGE



- In the United States and worldwide, the elderly population is growing both in number and in percentage of the total population. This trend is particularly visible in the U.S, with Americans 65 and older increasing from 49.2 million people in 2016 to 56.1 million people in 2020.
- By 2050 it is projected by the United States Census Bureau that about 22% of Americans will be 65 plus. Likewise the World Health Organization forecasts that 16% of the total world population will be 65 plus. In total this represents over 1.5 billion geriatric individuals.

## MEDICAL EQUIPMENT & SUPPLY PRODUCER PRICE INDEX (PPI)



- While medical industry revenues are growing, producer costs are also rising. The US Bureau of Labor Statistics provides a Producer Price Index (PPI) that measures the average change over time in the selling price of output produced domestically. The Medical Equipment & Supply PPI value serves as a broad proxy for Medical industry costs.
- The PPI is based on a 2003 price baseline set equal to 100. Currently the index is at 122.0, up from 114.4 at the start of 2014.

# Medical Technology M&A Activity

## Medical Equipment

Surgalign Holdings (Nasdaq: SRGA) acquires Holo Surgical

**September 2020** - Surgalign Holdings, Inc. (Nasdaq: SRGA), a global spine company utilizing digital technologies to advance patient treatment, entered into a definitive agreement to acquire Holo Surgical Inc. Holo Surgical is a Chicago-based company developing a digital spine surgery platform, known as ('ARAI'), which utilizes advanced technology to autonomously assist surgeons through automatic segmentation, identification, and recognition of spinal anatomy. The consideration is valued at up to \$125M, with \$42M in cash and shares at closing plus potential future earnout payments. The transaction is expected to close prior to the close of calendar 2020. According to Terry Rich, President and Chief Executive Officer of Surgalign Holdings, "Digital surgery will enable the next wave of innovation in spine surgery. We wanted to find a partner who was developing truly novel digital technologies that could transform the way spine surgery is performed. We believe that with HoloSurgical's ARAI platform in combination with our ongoing research and development efforts, we will have positioned ourselves as a leading digital surgical company in spine."

## Therapeutic Device

CyroLife (NYSE: CRY) acquires Ascyrus Medical

**September 2020** - CyroLife, Inc. (NYSE: CRY) announced that it acquired Ascyrus Medical, in a transaction valued at up to \$200M. Transaction consideration consists of \$80M in cash and stock at closing, and up to \$120M in contingent milestone payments tied to domestic and international regulatory approvals and sales targets. CyroLife is a leading surgery company focused on cardiac and vascular surgery. Ascyrus is the developer of the Ascyrus Medical Dissection Stent (AMDS), which is used for the treatment of Type A aortic dissections, and is the world's first aortic remodeling device. CyroLife aims to leverage their existing direct sales organization and cross sell with their JOTEC portfolio to gain access to a market estimated to be worth over \$500M worldwide. "We believe the addition of the AMDS to our product offerings will make a meaningful contribution to our future growth as it gives us immediate access to the combined \$100+ million EU and Canadian markets," said Pat Mackin, Chairman, President, and Chief Executive Officer of CyroLife. "AMDS is another highly differentiated device that, when included in our commercial channel, will further solidify our position as a global leader."

## Consumable & Disposable

Sulzer (SWX: SUN) acquires Haselmeier

**August 2020** - Sulzer Ltd, (SWX: SUN) a global leader in fluid engineering, agreed to acquire drug delivery device developer and manufacturer Haselmeier for \$118M. Haselmeier products include self-injection pens used for growth disorders, diabetes, and reproductive health. The Company employs 230 people and is headquartered in Germany. With the acquisition Sulzer aims to further expand its healthcare portfolio and leverage its expertise in precision manufacturing to win opportunities in the rapidly growing drug delivery market. Girts Cimermans, President of Sulzer APS, remarked "We are excited to welcome the Haselmeier team into the APS family. Haselmeier has a successful track record of providing innovative drug delivery devices based on its proprietary IP business model. We believe that we will add to the success story by providing financial strength and precision injection molding capabilities, thereby accelerating the company's growth. Furthermore, combining our expertise in liquid mixing applications with Haselmeier's drug delivery competence, will benefit our pharmaceutical customers providing them with innovative and differentiated devices and services."

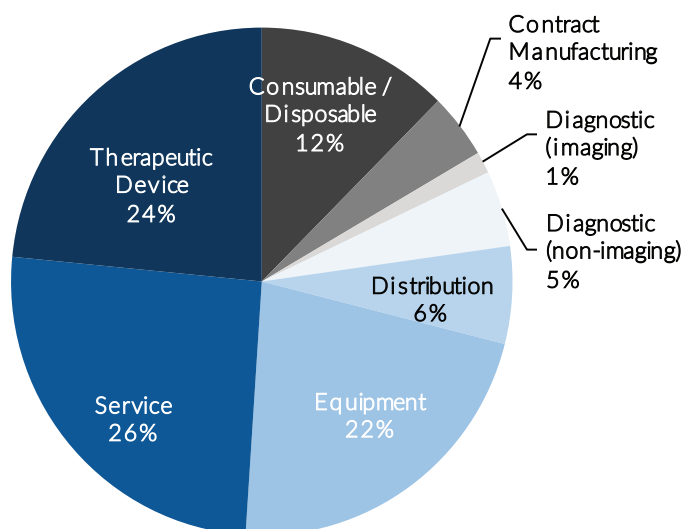


# M&A Activity Roundup

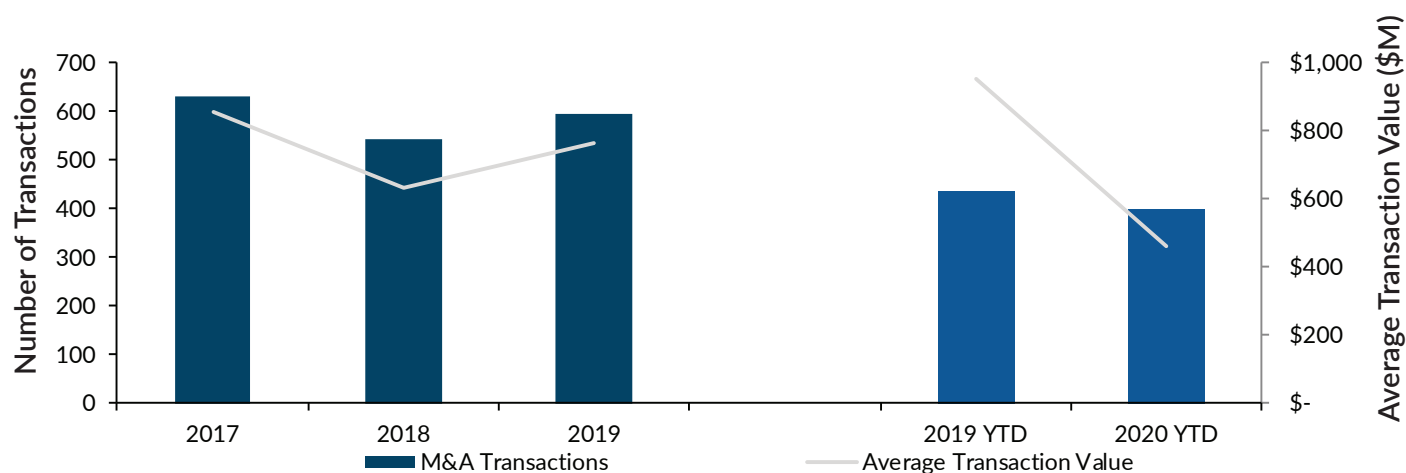
## TRENDS IN MEDICAL TECHNOLOGY M&A

- Overall M&A transaction levels through the third quarter of 2020 were down just 8% compared to the same period in 2019. This represents a remarkably small shortfall given the market disruptions related to the COVID-19 pandemic that greatly slowed M&A activity during the Spring and early Summer months.
- While average transaction value has dropped significantly year over year, this is primarily due to the effects of AbbVie's \$86B acquisition of Allergan, announced in Q2 2019. With this deal removed, average YTD transaction value in 2020 is actually 8.6% greater than in the same period of 2019.
- As a percentage of overall M&A transactions, those with Therapeutic Device, Equipment, and Service target companies are again on track to be the three most active segments, constituting 72% of transactions announced through three quarters this year.

TRANSACTIONS BY PRODUCT SEGMENT - Q3 2020



MEDICAL DEVICE M&A TRANSACTION METRICS



Period	Mean/Median	Transaction Value (\$MM)	TEV/REV	TEV/EBITDA
2020 Q3	Mean	\$459.3	10.37x	50.97x
2020 Q3	Median	\$25.8	2.78x	11.11x
2019 Q3	Mean	\$955.2	12.08x	13.90x
2019 Q3	Median	\$28.0	3.08x	16.18x
2019	Mean	\$762.3	6.76x	18.06x
2019	Median	\$24.8	2.83x	14.08x
2018	Mean	\$633.8	6.64x	17.52x
2018	Median	\$57.5	2.50x	13.63x
2017	Mean	\$854.0	6.44x	21.59x
2017	Median	\$31.0	2.44x	14.61x

Sources: Capital IQ, PitchBook, Company Reports, PMCF

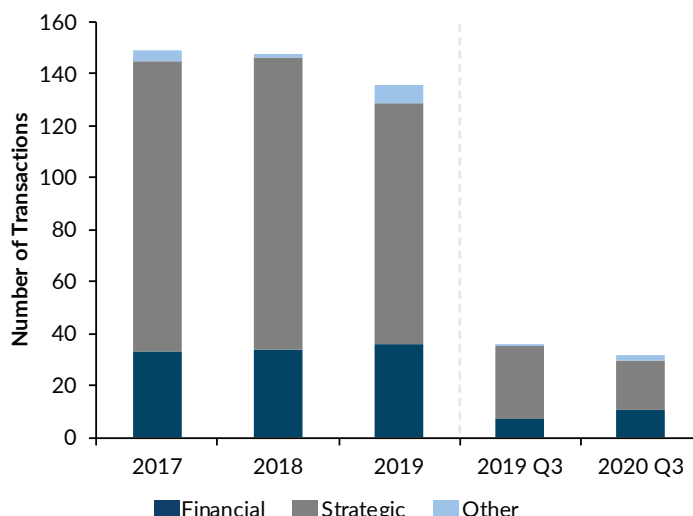


# Medical Equipment M&A

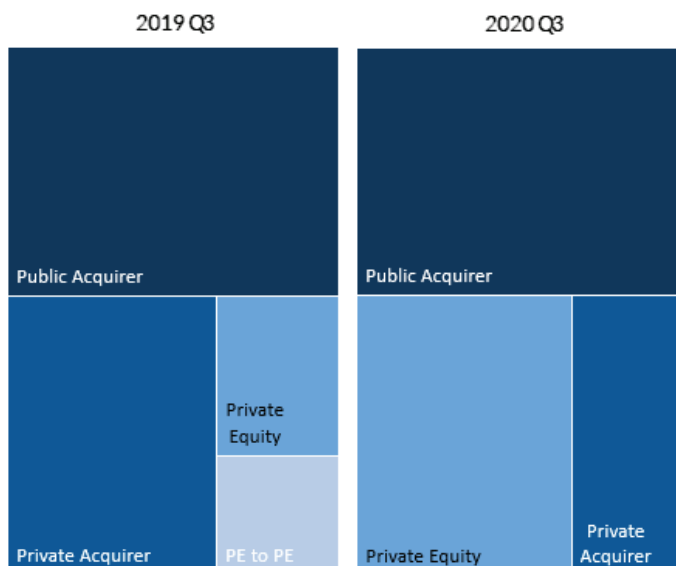
## TRENDS IN MEDICAL EQUIPMENT M&A

- Medical Equipment M&A activity was down slightly during the third quarter of 2020, with 32 transactions announced compared to 36 during the same period in 2019. The number of transactions involving financial buyers increased, from 7 in 2019 Q3 to 11 in 2020 Q3. Reduced transactions with strategic buyers was the primary reason for the broader decreased activity, falling from 28 to 11 in those periods.
- During the third quarter, transactions announced by private equity buyers surpassed those announced by private strategic acquirers, 11 to 6, a reversal of standing from 2019 Q3. Public acquirers again led the way announcing 15 transactions.
- Cross border trends remained stable quarter-over-quarter, with the proportion of deals in each seller-to-buyer dynamic remaining relatively consistent dating back to 2017, though there was a slight uptick in proportion of deals involving cross border activity.
- Perhaps owing to the effects of the COVID-19 pandemic, Hospital Care was the most active end market during the third quarter, with the number of transactions announced during this quarter surpassing the number announced for all of 2019.

## FINANCIAL VS. STRATEGIC BUYER MEDICAL EQUIPMENT



## MEDICAL EQUIPMENT TRANSACTIONS BY BUYER TYPE



## TRANSACTIONS BY END MARKET

End Market	2017	2018	2019	19 Q3	20 Q3
Acute Care	3	1	1	-	-
Aesthetic	4	3	2	-	-
Cardiovascular	2	3	5	3	1
Drug Delivery	6	9	1	-	1
Furniture/Equipment	28	39	37	6	5
Home Health	14	5	10	3	2
Hospital Care	9	3	7	-	8
Infection Control	7	6	5	1	-
IVD	5	5	-	-	-
Monitor	8	12	8	2	2
Neurovascular	2	-	2	1	1
Ophthalmology	2	4	7	2	2
Ortho	-	2	1	-	-
Other	30	17	19	7	2
Respiratory	6	7	7	2	1
Support	9	5	9	6	1
Surgical	14	27	15	3	6
<b>Total</b>	<b>149</b>	<b>148</b>	<b>136</b>	<b>36</b>	<b>32</b>

## CROSS BORDER TRANSACTION TRENDS

Seller-to-Buyer	2017	2018	2019	19 Q3	20 Q3
Int'l-to-Int'l	64	65	66	16	13
U.S.-to-Int'l	14	15	11	3	3
U.S.-to-U.S.	57	59	48	13	11
Int'l-to-U.S.	14	9	11	4	5
<b>Total</b>	<b>149</b>	<b>148</b>	<b>136</b>	<b>36</b>	<b>32</b>

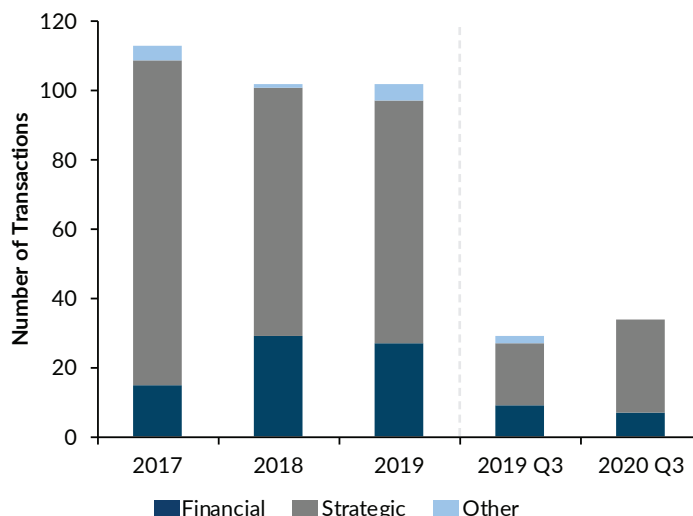
Sources: Capital IQ, PitchBook, Company Reports, PMCF

# Therapeutic Device M&A

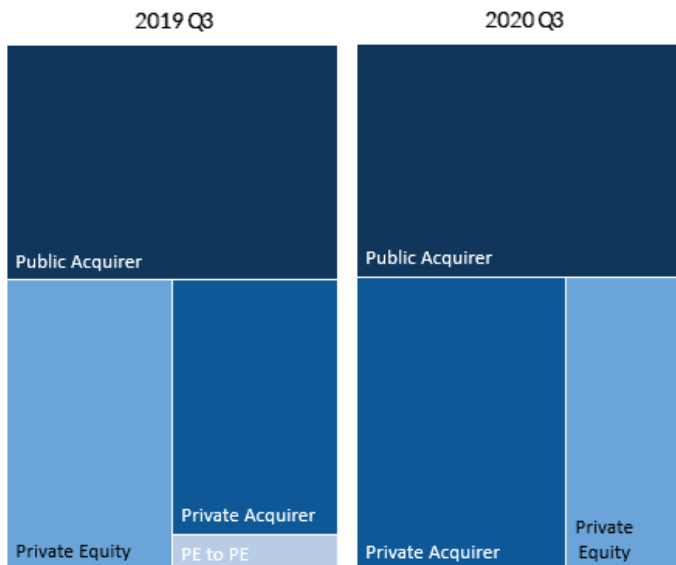
## TRENDS IN THERAPEUTIC DEVICE M&A

- Therapeutic Device M&A saw an uptick in third quarter activity between 2019 and 2020, with transactions increasing from 29 to 34. Most of this increase was due to activity from strategic buyers, as announced transactions involving strategic buyers grew from 18 to 27 transactions quarter over quarter.
- Strategic acquirers were highly active in the Therapeutic Device space during the third quarter, accounting for 79% of announced transactions, up from 69% during 2019's third quarter. Slightly more than half of these were public acquirers, with 15 announced by publics and 12 by privates.
- In cross border trends, an increasing percentage of transactions involved at least one international party, with nearly 68% of transactions falling into that category, up from 51% in Q3 2019.
- Orthopedic and Other remained the most common end markets within the broader Therapeutic Device segment, a status they have held each year since 2017. Cardiovascular was also an active segment, with 6 announced transactions during the 3rd quarter, almost matching the 7 transactions announced in all of 2019.

## FINANCIAL VS. STRATEGIC BUYER THERAPEUTIC DEVICE



## THERAPEUTIC DEVICE TRANSACTIONS BY BUYER TYPE



## TRANSACTIONS BY END MARKET

End Market	2017	2018	2019	19 Q3	20 Q3
Acute Care	1	-	6	3	-
Aesthetic	2	-	-	-	-
Cardiovascular	9	9	7	1	6
Drug Delivery	3	2	-	-	1
Furniture/Equipment	-	-	1	-	2
Home Health	13	9	2	-	1
Hospital Care	-	2	-	-	-
Infection Control	-	-	3	-	-
IVD	1	1	3	-	-
Monitor	1	1	-	-	1
Neurovascular	-	-	5	-	-
Ophthalmology	9	12	13	4	3
Ortho	21	27	33	10	10
Other	41	32	23	8	9
Respiratory	6	2	3	2	-
Support	3	1	1	-	1
Surgical	3	4	2	1	-
<b>Total</b>	<b>113</b>	<b>102</b>	<b>102</b>	<b>29</b>	<b>34</b>

## CROSS BORDER TRANSACTION TRENDS

Seller-to-Buyer	2017	2018	2019	19 Q3	20 Q3
Int'l-to-Int'l	48	49	34	12	18
U.S.-to-Int'l	9	7	6	1	1
U.S.-to-U.S.	43	35	51	14	11
Int'l-to-U.S.	13	11	11	2	4
<b>Total</b>	<b>113</b>	<b>102</b>	<b>102</b>	<b>29</b>	<b>34</b>

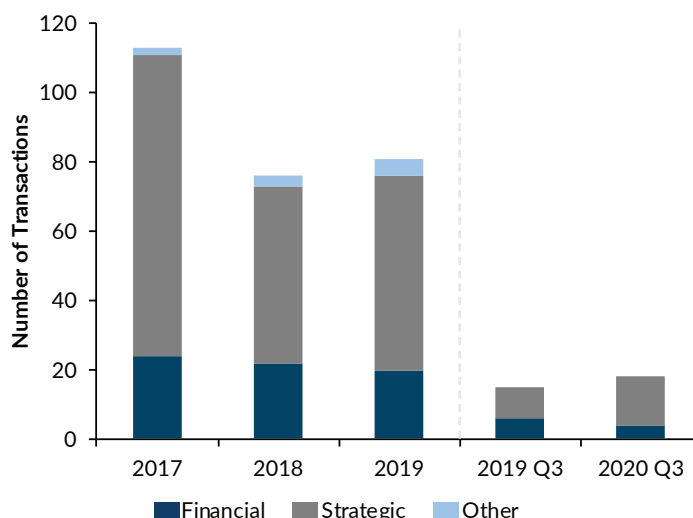
Sources: Capital IQ, PitchBook, Company Reports, PMCF

# Consumable & Disposable M&A

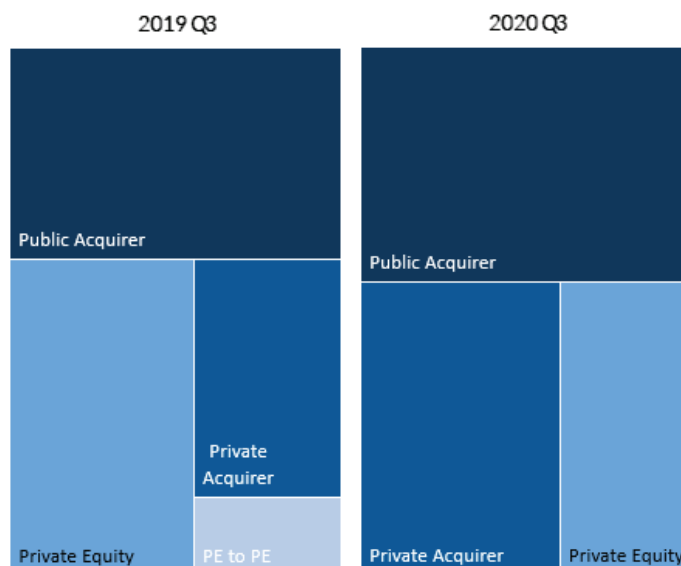
## TRENDS IN CONSUMABLE & DISPOSABLE M&A

- Consumable & Disposable M&A market activity increased 20% year-over-year. When comparing third quarters of the years, volume increased from 15 to 18 transactions. Much of this increase came from Strategic buyers, who announced 5 additional transactions during the quarter.
- Private Equity buyers were less active during this quarter, with 4 announced transactions, down from 6 a year ago, with no PE to PE transactions in this space announced.
- Perhaps reflecting broader geopolitical and national security concerns about access to critical personal protective equipment amidst a global pandemic, there was only one announced cross border transaction involving either a U.S. based target or acquirer. Historically approximately 20% of transactions in this sector have had the U.S. / International dynamic.
- Continuing the trend from previous quarters, infection control was again the leading end market within the Consumable & Disposable sector, bringing the year to date total to 13, already exceeding activity in the end market in 2018 and 2019.

## FINANCIAL VS. STRATEGIC BUYER CONSUMABLE & DISP.



## CONSUMABLE & DISP. TRANSACTIONS BY BUYER TYPE



## TRANSACTIONS BY END MARKET

End Market	2017	2018	2019	19 Q3	20 Q3
Acute Care	7	7	8	2	2
Aesthetic	2	1	2	-	-
Cardiovascular	3	3	2	1	-
Drug Delivery	5	3	5	-	4
Furniture/Equipment	1	-	1	-	-
Home Health	7	4	4	-	1
Hospital Care	5	2	9	1	3
Infection Control	18	11	2	1	6
IVD	6	10	5	-	-
Monitor	-	-	-	-	-
Neurovascular	1	-	-	-	-
Ophthalmology	2	-	3	2	-
Ortho	-	-	-	-	1
Other	41	16	22	3	1
Respiratory	-	1	2	1	-
Support	6	3	6	2	-
Surgical	9	15	10	2	-
<b>Total</b>	<b>113</b>	<b>76</b>	<b>81</b>	<b>15</b>	<b>18</b>

## CROSS BORDER TRANSACTION TRENDS

Seller-to-Buyer	2017	2018	2019	19 Q3	20 Q3
Int'l-to-Int'l	52	30	42	6	9
U.S.-to-Int'l	12	6	9	1	1
U.S.-to-U.S.	38	31	25	7	8
Int'l-to-U.S.	11	9	5	1	-
<b>Total</b>	<b>113</b>	<b>76</b>	<b>81</b>	<b>15</b>	<b>18</b>

Sources: Capital IQ, PitchBook, Company Reports, PMCF

# Diversified Medical Device Public Comparables

## PUBLIC DIVERSIFIED MEDICAL DEVICE COMPANY COMMENTARY

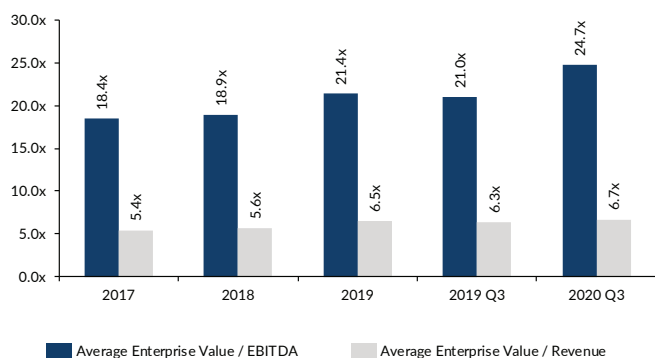
- “By now, it goes without saying that we are operating in a largely unpredictable environment. We are experiencing an unfortunate resurgence of COVID-19 in many geographies, which resonates across the broader treatment landscape.” – José Almeida, Baxter International, President, & CEO
- “Given the mass-market need for testing, we knew that developing and launching this test was only half the equation, which is why we simultaneously built 2 new manufacturing facilities in the U.S. to help meet the public health need of testing as many people as possible, as often as possible, to help reduce the risk in the environment and slow the spread of the virus.” – Robert Ford, Abbott Laboratories CEO

### DIVERSIFIED MEDICAL DEVICE PUBLIC COMPARABLES SUMMARY

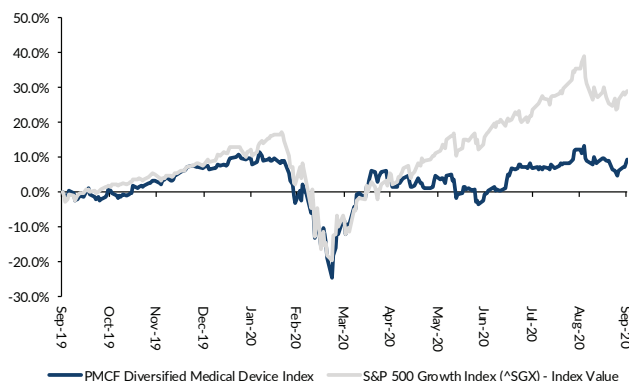
Company Name	LTM as of	Cash (\$MM)	Debt (\$MM)	Market Cap (\$MM)	TEV (\$MM)	TEV/REV	TEV/EBITDA	P/E
Abbott Laboratories	9/30/2020	4,731	18,563	192,687	206,728	6.6x	27.4x	63.3x
Baxter International Inc.	9/30/2020	4,359	7,156	40,711	43,543	3.8x	14.8x	45.0x
Becton, Dickinson and Company	9/30/2020	2,845	17,931	67,447	82,533	4.9x	17.8x	82.1x
Boston Scientific Corporation	9/30/2020	2,022	9,592	54,666	62,236	6.2x	27.1x	13.5x
Intuitive Surgical, Inc.	9/30/2020	4,784	0	83,035	78,279	18.0x	57.5x	74.7x
Johnson & Johnson	9/27/2020	30,781	37,758	391,975	398,952	5.0x	14.8x	26.2x
Medtronic plc	7/31/2020	13,014	28,690	139,691	155,514	5.6x	22.6x	31.9x
Smith & Nephew plc	6/27/2020	347	2,639	17,139	19,431	4.0x	18.5x	41.9x
Stryker Corporation	9/30/2020	7,161	13,537	78,265	84,641	6.0x	22.2x	49.5x
High		30,781	37,758	391,975	398,952	18.0x	57.5x	82.1x
Mean		7,783	15,096	118,402	125,762	6.7x	24.7x	47.6x
Median		4,731	13,537	78,265	82,533	5.6x	22.2x	45.0x
Low		347	0	17,139	19,431	3.8x	14.8x	13.5x

As of September 30, 2020

### DIVERSIFIED MEDICAL DEVICE MULTIPLES



### DIVERSIFIED MEDICAL DEVICE INDEX



EV/EBITDA multiples for the Diversified Medical Device (“DMD”) comparables finished the third quarter up 18% over the same period in 2019 at 24.7x. Average multiples were led by the extremely strong performance of Intuitive Surgical, but even with that outlier removed, average EV/EBITDA multiples were at similar levels as the year prior, averaging 20.6x. Average EV/Revenue multiples were more steady, but mirrored this trend, ending the quarter at 6.7x, up from 6.5x at the end of 2019 and 6.3x at the end of Q3 2019.

Over the last twelve months the PMCF DMD index is up 9.3%, though it trails the S&P 500 Growth Index which has grown a robust 29.0%. Each saw valuations climb steadily until the onset of COVID-19 in late February, at which point they declined sharply. Since that time the DMD has plateaued between 5 – 10% growth, while the S&P has climbed upwards.

Sources: Capital IQ, PitchBook, Company Reports, PMCF

# Orthopedic Public Comparables

## PUBLIC ORTHOPEDIC MEDICAL DEVICE COMPANY COMMENTARY

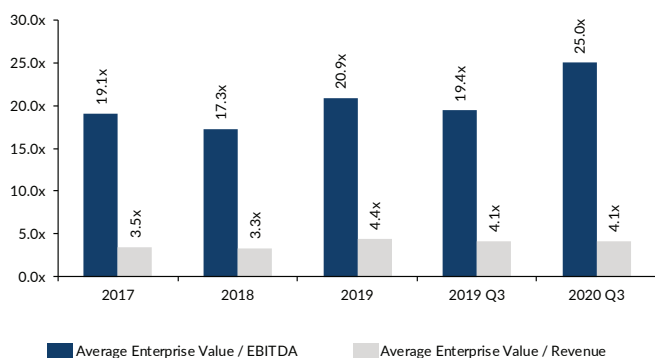
- “Surgeons and health care providers continue to work through the new and existing backlog by adding incremental procedures to their normal schedules. With the continued variability of infection rates, we believe that hospitals are better prepared to ensure that these types of elective procedures can still be performed at some level, unlike the dramatic drop that we saw in April.” – Preston Wells, Stryker Corp. Vice President of Investor Relations
- “I’m encouraged by the faster recovery in the market and the more stable spine environment over the last several months. Although it remains unclear when pre-COVID-19 case volumes fully return, especially as we face a recent global resurgence of coronavirus.” – J. Christopher Barry, NuVasive, Inc. Chief Executive Officer & Director

### ORTHOPEDIC MEDICAL DEVICE PUBLIC COMPARABLES SUMMARY

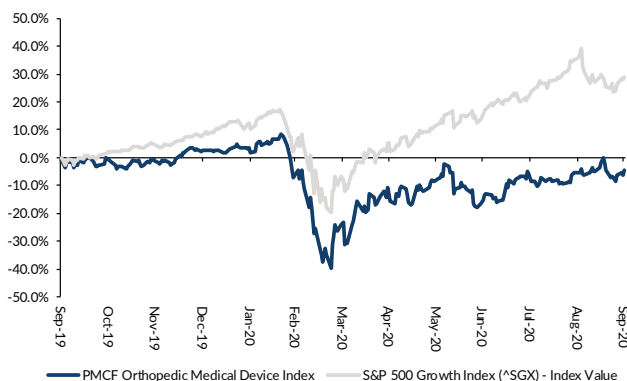
Company Name	LTM as of	Cash (\$MM)	Debt (\$MM)	Market Cap (\$MM)	TEV (\$MM)	TEV/REV	TEV/EBITDA	P/E
Alphatec Holdings, Inc.	9/30/2020	16	69	427	504	4.0x	NM	NM
Colfax Corporation	7/3/2020	66	2,419	3,713	6,108	1.9x	10.9x	112.6x
Globus Medical, Inc.	9/30/2020	410	4	4,842	4,437	5.6x	26.8x	56.6x
NuVasive, Inc.	9/30/2020	982	1,520	2,489	3,027	2.9x	15.5x	NM
Orthofix Medical Inc.	9/30/2020	80	28	602	550	1.3x	23.3x	NM
Smith & Nephew plc	6/27/2020	347	2,639	17,139	19,431	4.0x	18.5x	41.9x
Stryker Corporation	9/30/2020	7,161	13,537	78,265	84,641	6.0x	22.2x	49.5x
Wright Medical Group N.V.	9/27/2020	142	1,224	3,961	5,043	6.2x	64.2x	NM
Zimmer Biomet Holdings, Inc.	9/30/2020	970	8,305	28,188	35,529	5.1x	18.8x	NM
High		7,161	13,537	78,265	84,641	6.2x	64.2x	112.6x
Mean		1,130	3,305	15,514	17,697	4.1x	25.0x	65.1x
Median		347	1,520	3,961	5,043	4.0x	20.5x	53.0x
Low		16	4	427	504	1.3x	10.9x	41.9x

As of September 30, 2020

### ORTHOPEDIC MEDICAL DEVICE MULTIPLES



### ORTHOPEDIC MEDICAL DEVICE INDEX



EBITDA and revenue trading multiples for PMCF’s Orthopedic Medical Device (“OMD”) companies increased dramatically over the last twelve months, growing from 19.4x at the end of Q3 2019 to 25.0x, though much of that was driven by Wright Medical Group, which closed the quarter at a 64.2x multiple. Absent this top performer, the rest of the index finished at a very respectable 19.5x. EV/Revenue multiples were flat on a year-over-year basis, and were down slightly from year end 2019.

PMCF’s OMD index followed the pattern of the S&P 500 Growth Index for the majority of 2019, before diverging as Orthopedic companies were negatively impacted by COVID-19 related shutdowns and limitations on elective procedures. The index finished the quarter down slightly from the end of Q3 2019.

# Cardiovascular Public Comparables

## PUBLIC CARDIOVASCULAR MEDICAL DEVICE COMPANY COMMENTARY

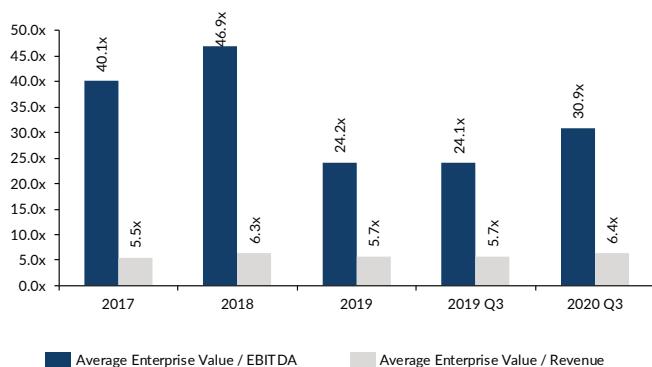
- Patient anxiety caused delays in seeking treatment for urgent and emergent care. Second, hospital ICU availability impacted patient referrals, further causing delays in cardiovascular treatment for patients without coronavirus. These factors keep patients' home longer, suppress the referral network and simultaneously increase patient risk and cardiogenic shock and right." – Michael Minogue, Abiomed, Inc. Chief Executive Officer & President
- "While elective surgeries have recovered for now, the job description of a sales rep has changed in the time of corona. Access to hospitals and surgeons' offices has been restricted... Like all of us, sales reps have leveraged available e-mail and video technology, but there are limits to this." – George LeMaitre, LeMaitre Vascular, Inc. Chairman & CEO

### CARDIOVASCULAR MEDICAL DEVICE PUBLIC COMPARABLES SUMMARY

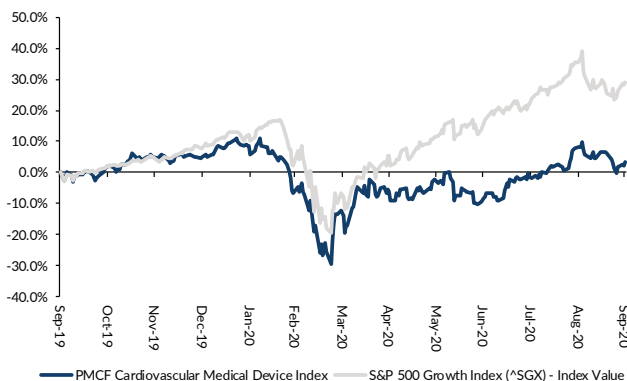
Company Name	LTM as of	Cash (\$MM)	Debt (\$MM)	Market Cap (\$MM)	TEV (\$MM)	TEV/REV	TEV/EBITDA	P/E
Abiomed, Inc.	9/30/2020	533	11	12,481	11,959	14.9x	47.7x	79.8x
AngioDynamics, Inc.	8/31/2020	48	50	457	459	1.7x	46.4x	NM
Cardiovascular Systems, Inc.	9/30/2020	223	23	1,579	1,379	5.8x	NM	NM
CryoLife, Inc.	9/30/2020	64	317	699	952	3.5x	29.2x	NM
Edwards Lifesciences Corporation	9/30/2020	1,295	690	49,627	49,022	11.4x	35.8x	67.8x
LeMaitre Vascular, Inc.	9/30/2020	34	76	658	700	6.2x	25.4x	40.2x
Medtronic plc	7/31/2020	13,014	28,690	139,691	155,514	5.6x	22.6x	31.9x
Merit Medical Systems, Inc.	9/30/2020	45	445	2,414	2,814	3.0x	18.7x	NM
Terumo Corporation	9/30/2020	1,989	2,820	29,889	30,720	5.3x	21.4x	41.4x
High		13,014	28,690	139,691	155,514	14.9x	47.7x	79.8x
Mean		1,916	3,680	26,388	28,169	6.4x	30.9x	52.2x
Median		223	317	2,414	2,814	5.6x	27.3x	41.4x
Low		34	11	457	459	1.7x	18.7x	31.9x

As of September 30, 2020

### CARDIOVASCULAR MEDICAL DEVICE MULTIPLES



### CARDIOVASCULAR MEDICAL DEVICE INDEX



Cardiovascular Medical Devices finished the third quarter up strongly from a year ago with 28% growth in EV/EBITDA and 11% growth in EV/Revenue multiples. This is still down significantly from valuations reached in 2017 – 2018, as the effect of Cardiovascular Systems' multiple no longer being calculated due to their EBITDA dropping below 0 still lingers. The rest of the index is seeing strong valuations across the board, with Merit Medical System's very solid 18.7x EV/EBITDA multiple the lowest of the cohort.

The CMD index finished Q3 in a similar position as it began Q4 2019, up just over 3.3% during the period. For much of the period the index was slowly regaining value from the losses suffered in February and March, and only in August did it rise above negative growth on the year, putting it well behind the S&P 500 Growth Index.

Sources: Capital IQ, PitchBook, Company Reports, PMCF

# Diversified Diagnostic Public Comparables

## PUBLIC DIVERSIFIED DIAGNOSTIC COMPANY COMMENTARY

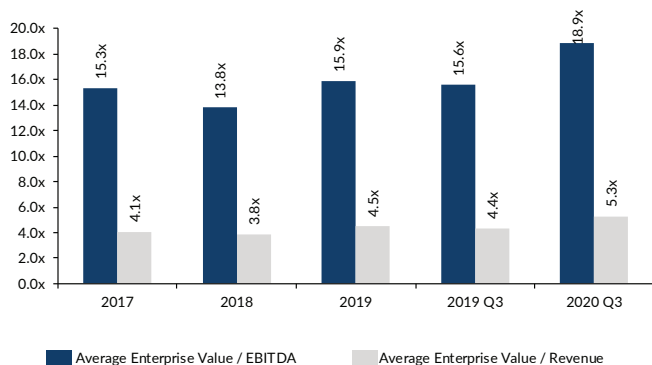
- We are performing COVID-19 testing in more than 20 laboratories across the United States, and our capacity is greater than 210,000 PCR tests and over 300,000 antibody tests per day.” – Adam Schechter, LabCorp President, CEO, & Chairman
- “Demand for COVID-19 testing came from several areas: clinical testing ordered by health care providers as the virus spread throughout much of the country... in retail testing in our extended network access points, such as our drive-through sites offered across the country by CVS and Walmart; workplace testing as employers sought to return employees to their job and their offices; university testing to facilitate the return of students to campus life, including sports; and our consumer testing.” – Stephen Rusckowski, Quest Diagnostics CEO

### DIVERSIFIED DIAGNOSTIC PUBLIC COMPARABLES SUMMARY

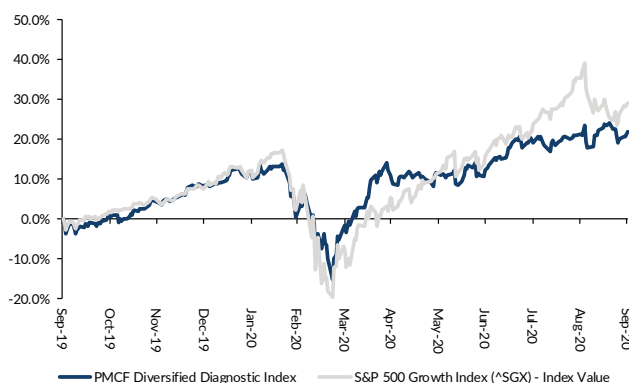
Company Name	LTM as of	Cash (\$MM)	Debt (\$MM)	Market Cap (\$MM)	TEV (\$MM)	TEV/REV	TEV/EBITDA	P/E
Abbott Laboratories	9/30/2020	4,731	18,563	192,687	206,728	6.6x	27.4x	63.3x
Becton, Dickinson and Co.	9/30/2020	2,845	17,931	67,447	82,533	4.9x	17.8x	82.1x
Danaher Corporation	7/3/2020	5,539	23,281	152,757	173,778	9.2x	35.6x	54.4x
Hologic, Inc.	9/26/2020	701	3,039	17,215	19,555	6.0x	18.3x	35.6x
Laboratory Corporation of America	9/30/2020	667	6,684	18,337	24,374	2.2x	10.0x	50.8x
Novartis AG	9/30/2020	10,693	38,175	191,928	219,480	4.3x	11.2x	26.9x
Quest Diagnostics Incorporated	9/30/2020	1,605	5,149	15,376	19,046	2.6x	10.7x	20.8x
Roche Holding AG	6/30/2020	6,601	17,222	293,803	307,914	4.5x	11.6x	21.1x
Thermo Fisher Scientific Inc.	9/26/2020	7,540	21,107	174,661	188,228	7.2x	27.3x	47.8x
High		10,693	38,175	293,803	307,914	9.2x	35.6x	82.1x
Mean		4,547	16,795	124,912	137,959	5.3x	18.9x	44.7x
Median		4,731	17,931	152,757	173,778	4.9x	17.8x	47.8x
Low		667	3,039	15,376	19,046	2.2x	10.0x	20.8x

As of September 30, 2020

### DIVERSIFIED DIAGNOSTIC MULTIPLES



### DIVERSIFIED DIAGNOSTIC INDEX



EV/EBITDA multiples within the Diversified Diagnostic (“DD”) industry continued their steady growth in Q3 2020, increasing from 15.6x to 18.9x over the last year, which exceeds the valuation levels reached for the years ending 2017 – 2019. EV/Revenue multiples similarly improved, rising from 4.4x to 5.3x. This is not surprising given the demand for large volumes of COVID-19 diagnostic tests, and the interest in advancing the development of more accurate non-invasive tests capable of providing rapid results.

The DD Index provided further evidence of the industry’s current importance, with the strongest performance of PMCF’s four Medical subsector indices over the last twelve months. Growth on the year nearly matched that of the S&P 500 Growth index, with the DD index closing the period up 21.8%.



# 2019 Venture Capital Activity Overview

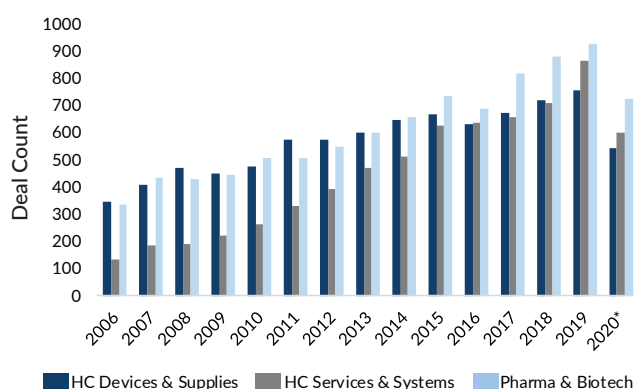
Venture capital activity has been a continued bright spot in an otherwise tumultuous 2020. Both deal valuations and volume are on pace to finish near 2019 levels by year end. Medical sectors have particularly performed well, with Pharma & Biotech on pace to exceed 2019's deal volume, both HC Devices & Supplies and HC Services & Systems are on track to exceed 2019's total deal value. Reflecting the critical need for healthcare services, total deal value in the latter sector has already reached \$7.5B, up from \$6.6B in 2019, and on pace to reach \$10B in 2020.

Despite severe economic disruptions brought on by COVID-19, and the worries of additional spikes in infection rates, valuations in the public markets have remained strong. Analysts speculate that this factor, combined with continued low interest rates and strong recent performance of initial public offerings has fueled VC investors' confidence and boosted early stage valuations in the process. Additionally, the rise of special purpose acquisition companies (SPAC) has been one of the major financing stories of 2020 and is providing an alternative avenue for companies and investors to raise capital and realize value through a streamlined process.

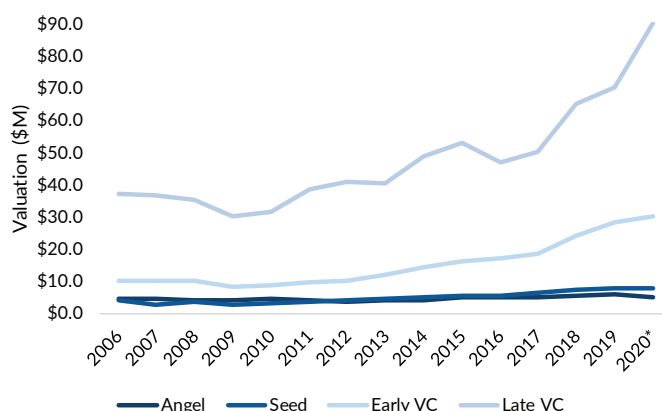
Median deal valuation across all rounds continues to spike, with Q3 2020 valuations in three of the four round types (Seed, Early VC, and Late VC) on pace to exceed 2019's previous record highs. Late VC valuations have grown significantly, with the current median pre-money valuation at \$90M, up from \$70M in 2019 and \$65M in 2018. Angel is the only stage to see a slight decrease in median valuations, currently sitting at \$5.1M, down from \$6M in 2019. While the final quarter of the year could certainly alter some of these medians, it is clear that investor appetite continues to push valuations skyward.

Within the three major healthcare segments targeted by investors, Pharma & Biotech continued to be the most active, with approximately 720 deals completed thus far in 2020. This compares to 600 in HC Services & Systems and 540 in HC Devices & Supplies.

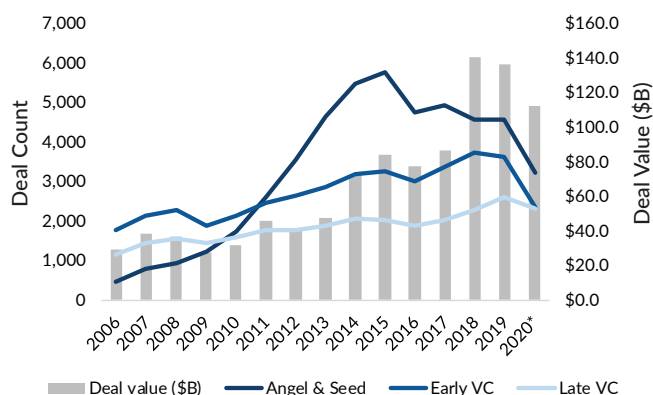
## VC INVESTMENTS IN MEDICAL SECTORS



## MEDIAN PRE-MONEY VALUATION BY ROUND



## DEAL COUNT BY ROUND



**Angel/Seed:** The company has a concept or product under development, but is likely not fully operational. Typically in existence less than 18 months.

**Early:** The company has a product or service in testing or pilot production. In some cases, the product may be commercially available. May or may not be generating revenues. Typically in business less than three years.

**Later:** Product or service is widely available. Company is generating ongoing revenue; potentially positive cash flow. More likely to be, but not necessarily, profitable.

Sources: Capital IQ, PitchBook, NVCA, PMCF

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- Tailored sale process provides for extensive upfront preparation, detailed company review and identification of any potential issues in advance, and buyer evaluation/diligence ensuring the right fit
- Unique sale planning approach that helps shareholders best prepare for a future sale whether its six months or several years
- Long-term and client first approach allows PMCF to provide unbiased advice



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Awarded, Deal of the Year  
by ACG Detroit

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