



## Healthcare Industry Highlights

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## CUMBERLAND INSIGHTS

# Budget 2022: The Healthcare Edition



**BLISS BAKER**  
CHAIRMAN



**CARYS BAKER**  
SENIOR CONSULTANT



Cumberland Strategies

By: Bliss Baker and Carys Baker, Cumberland Strategies

*Cumberland Strategies is a national public affairs and government relations firm headquartered in Toronto. Carys Baker is a Toronto-based consultant with a focus on the healthcare and long-term care sectors. Bliss Baker is the chairman and founder of Cumberland Strategies and has represented a range of large Canadian and multinational companies in the healthcare industry*

### Cumberland Insights: Budget 2022: The Healthcare Edition

On April 7<sup>th</sup>, 2022, Finance Minister Chrystia Freeland tabled her first budget since the Liberals were re-elected in the Fall of 2021. In his election platform, Prime Minister Trudeau promised to inject billions of dollars into Canada's healthcare system within the first few years of his new mandate. With this budget, we are starting to gain insight into where this healthcare funding will flow and what this government's priorities are.

It is important to note that in March 2022, Prime Minister Trudeau entered into a legislative agreement with the NDP, called the Supply and Confidence Agreement. With this agreement, the NDP have committed to keeping the Trudeau Liberals in power until 2024, as long as the Liberals deliver on several key NDP priorities, including healthcare commitments such as dental care and universal pharmacare. Budget 2022 signifies a strong shift away from spending on emergency healthcare measures necessitated by COVID-19, and towards more progressive forward-looking healthcare policies that they promised during their election campaign and that the NDP have demanded as a result of the Supply and Confidence Agreement.



## BLISS BAKER, CHAIRMAN, CUMBERLAND STRATEGIES

### Cumberland Insights: Budget 2022: The Healthcare Edition

#### **Bolstering the Healthcare System**

The COVID-19 pandemic has exposed several shortcomings in Canada's healthcare and long-term care sectors, and it has also added significant strain to those systems. We're facing Healthcare HR shortages across the country, a lack of access to primary care, and a long-term care sector that needs to be completely revamped. Budget 2022 has proposed several measures to bolster Canada's health care system, including investments in public health to better detect and respond to public health events and emergencies as well as maintaining a national emergency stockpile of PPE. On top of these emergency preparedness measures, healthcare highlights from Budget 2022 include:

##### *Dental Care:*

Funding of \$5.3 billion over 5 years and \$1.7 billion ongoing, to Health Canada to provide dental care for all Canadians. The free dental care program will start with kids under 12 in 2022 and expand to kids under 18, seniors, and persons living with a disability in 2023. It will be implemented for all Canadian families with an income of less than \$90,000 annually by 2025.

##### *Reducing the Backlogs of Surgeries and Procedures:*

Health Canada estimates that nearly 700,000 medical procedures were cancelled or delayed during the pandemic. The Federal government is providing provinces and territories with an additional \$2 billion (on top of the \$4 billion provided in 2020-21) to address medical backlogs.

##### *A Commitment to National Pharmacare:*

While Budget 2022 does not include national pharmacare, it includes the promise of universal national pharmacare. The federal government will table the Canada Pharmacare Bill and work to have it passed by the end of 2023, and task the Canadian Drug Agency with developing a national formulary of essential medicines and a bulk purchasing plan. The reason for this commitment now is likely a compromise from the Supply and Confidence Agreement with the NDP.





## BLISS BAKER, CHAIRMAN, CUMBERLAND STRATEGIES

### Cumberland Insights: Budget 2022: The Healthcare Edition

#### Key Omissions from Budget 2022

While Budget 2022 promises to address many issues in Canada's public health sector, there are two key omissions from Budget 2022 in the healthcare space: support for mental health care and investments in long-term care.

Budget 2022 recognizes that the pandemic has had a significant impact on Canadians' mental health, but it does little to address the issue. The government is continuing to act on its previous commitment of a Canada Mental Health Transfer to support the expansion and delivery of high quality and accessible mental health services across Canada; however, no further details were provided.

Further, there is no support whatsoever for long-term care in Budget 2022. The long-term care sector was ravaged by the pandemic, and it became clear that investment in the sector was needed. While Budget 2022 does make mention of the up to \$4 billion through the 2020 Fall Economic Statement and Budget 2021 for the provinces to spend on long-term care, there is no additional funding provided in Budget 2022.

#### Our Takeaway...

Budget 2022 has clearly signaled that the government is pivoting away from emergency COVID-19 spending and towards more progressive forward-looking healthcare policies and priorities. Given this shift, now is the time for the private sector to knock on the government's door, both with solutions to ongoing challenges the government faces, and with new ideas that can bring Canada's healthcare system into the future.

Many of the priorities in Budget 2022, including dental care and universal pharmacare, are bolstered by the government's coalition with the NDP. If the government actually follows through with dental care and national pharmacare, it will be the biggest change our healthcare system has seen in a generation.





## HEALTHCARE SERVICES

### News Scan

- On April 20<sup>th</sup>, a group led by private equity firm **KKR & Co** made a US\$14.8 billion bid for **Ramsay Health Care Ltd** (“**Ramsay**”), underlining buyout funds’ appetite for healthcare assets. Ramsay operates hospitals and clinics across 10 countries in three continents, with a network of more than 530 locations. If successful, the takeover would rank as the largest private equity-backed buyout of an Australian company
- On April 12<sup>th</sup>, **Numinus Wellness Inc.** (“**Numinus**”) announced that it will acquire **Novamind Inc.** (“**Novamind**”) in an all-share transaction for total consideration of ~US\$26.2 million. The combined company will operate 13 wellness clinics, becoming the North American industry leader in psychedelic therapy and research. The deal will allow Numinus to launch a strong U.S. platform, combining Novamind's network of mental health clinics and research sites in the U.S. and Numinus' leadership in psychedelic-assisted psychotherapy in Canada
- On April 7<sup>th</sup>, **Dialyze Direct** (“**Dialyze Direct**”), the U.S.-based leading provider of home hemodialysis services in skilled nursing facilities (SNFs), announced that it acquired **Compass Home Dialysis**, a regional dialysis provider in Pennsylvania with on-site dialysis services in nine SNFs, as well as an outpatient dialysis clinic. The acquisition is part of Dialyze Direct’s strategic growth plan and solidifies its position as the leading SNF dialysis provider in the U.S.
- On April 7<sup>th</sup>, **Gryphon Investors**, a mid-market focused private equity firm, announced the acquisition of **Vision Innovation Partners** (“**VIP**”), a Maryland-based provider of comprehensive eye-care services and treatments in the mid-Atlantic US. VIP has more than 140 practitioners operating out of 65 clinics and 11 surgery centers. Terms of the transaction were not disclosed
- On April 4<sup>th</sup>, Tampa, Florida-based **Probo Medical, LLC**, a portfolio company of Avista Capital Partners and leading global provider of medical imaging equipment, parts, repair and service, announced the completion of its acquisition of Oakville, Ontario-based **Canute Medical**. The acquisition supports Probo Medical’s expansion in Canada

### Key Indicators

<i>In \$CAD millions</i>	Market		TEV / Revenue		TEV / EBITDA		Price % of 52-Week High
	Cap	TEV	2022E	2023E	2022E	2023E	
dentalcorp Holdings Ltd.	2,766.5	3,778.2	3.0x	2.5x	15.6x	12.7x	82.1%
Neighbourly Pharmacy Inc.	968.4	1,074.7	1.5x	1.2x	11.9x	8.8x	70.2%
CareRx Corporation	249.0	342.1	0.9x	0.8x	8.2x	6.9x	77.1%
Akumin Inc.	155.6	2,162.0	2.3x	2.2x	10.8x	9.7x	32.0%
<b>Average</b>			<b>1.9x</b>	<b>1.7x</b>	<b>11.6x</b>	<b>9.5x</b>	<b>65.3%</b>



## OMNICHANNEL HEALTHCARE & DIGITAL HEALTH

### News Scan

- On April 14<sup>th</sup>, California-based **GoodRx**, a leading consumer-focused digital healthcare platform announced that it has completed its acquisition of **VitaCare** for US\$150 million in cash. VitaCare, a Florida-based pharmacy services platform, expands GoodRx's offering to pharmaceutical manufacturers while helping to improve patient access and adherence to affordable brand drugs
- On April 13<sup>th</sup>, **Dialogue Health Technologies Inc. ("Dialogue")**, a leading Canadian virtual healthcare and wellness platform, announced that it will acquire U.K.-based **Tictrac Ltd** for up to \$65 million to introduce a wellness offering to its integrated health platform. The acquisition is Dialogue's largest to date and contributes directly to its growth objectives, allowing the company to gain exposure to attractive international markets
- On April 11<sup>th</sup>, **Pfizer Inc.** proposed a deal to acquire Australian **ResApp Health** for approximately US\$74.2 million in cash. ResApp uses machine learning algorithms to analyze recordings of a person's coughs and breathing sounds to determine the extent of a wide range of respiratory diseases. With an initial focus on COVID, the smartphone app could help to identify patients and prescribe antiviral treatments faster
- On April 5<sup>th</sup>, **Stone Point Capital** announced that it will acquire and take private fitness company **Tivity Health** for US\$2 billion in cash. Tivity Health owns SilverSneakers, a fitness program offered in-person and virtually for people eligible for Medicare in the U.S. Tivity stockholders will receive US\$32.50 per share, a near 1% premium to its last closing price prior to the announcement
- On April 4<sup>th</sup>, **Recuro Health**, a Texas-based digital health solutions company providing personalized benefits, acquired **WellVia**, a premier virtual health provider that remotely connects patients to board-certified physicians and behavioral health specialists. The acquisition significantly expands Recuro's digital health capabilities, allowing the company to provide a more robust suite of virtual primary care and behavioral health services

### Key Indicators

<i>In \$CAD millions</i>	Market		TEV / Revenue		TEV / EBITDA		Price % of 52-Week High
	Cap	TEV	2022E	2023E	2022E	2023E	
WELL Health Technologies Corp.	971.2	1,390.1	2.8x	2.5x	14.2x	11.9x	52.1%
Dialogue Health Technologies Inc.	367.3	266.0	2.6x	1.8x	neg	nmf	33.2%
LifeSpeak Inc.	256.8	240.7	3.7x	2.6x	11.5x	6.3x	50.8%
CloudMD Software & Services Inc.	206.1	187.2	1.0x	0.8x	neg	nmf	30.2%
MCI Onehealth Technologies Inc.	64.1	73.0	1.2x	1.0x	neg	18.4x	36.8%
Think Research Corporation	61.2	87.7	1.0x	0.8x	14.4x	7.7x	24.8%
<b>Average</b>			<b>2.0x</b>	<b>1.6x</b>	<b>13.3x</b>	<b>11.0x</b>	<b>38.0%</b>



## PHARMACEUTICALS AND MED-TECH

### News Scan

- On April 13<sup>th</sup>, California-based **Halozyme Therapeutics (“Halozyme”)** announced that it will acquire specialty pharmaceutical company **Antares Pharma (“Antares”)** in a US\$960 million all-cash deal to bolster its drug delivery platform. Through this deal, Halozyme will also acquire several U.S. approved medicines sold by Antares. Halozyme will pay US\$5.60 per share, a premium of 49.7% to the company’s last closing price
- On April 13<sup>th</sup>, Britain’s **GlaxoSmithKline (“GSK”)** announced that it will acquire U.S. drug developer Sierra Oncology (“**Sierra**”) in a deal valued at US\$1.9 billion, to bolster its cancer drug pipeline. The acquisition will complement Blenrep, GSK’s treatment for another form of blood cancer. Shareholders in Sierra will receive US\$55 per share of common stock in cash, a 39% premium to the company’s last closing price prior to the announcement
- On April 7<sup>th</sup>, **Pfizer Inc** announced that it would buy privately-held, UK-based **ReViral Ltd** in a deal worth up to US\$525 million including milestone payments, to gain access to experimental drugs against the respiratory syncytial virus (RSV). The deal marks the U.S. drugmaker’s second acquisition in less than 6 months to boost its drug portfolio. The transaction could signal a return to M&A for biopharma companies
- On April 6<sup>th</sup>, **Valo Health (“Valo”)** announced that it is acquiring New York-based **TARA Biosystems (“TARA”)**, makers of a 3D heart tissue modelling platform to help boost its drug discovery and development work in cardiovascular disease, for an undisclosed amount. Valo plans to incorporate TARA’s heart tissue chips into an end-to-end drug development offering aimed at fighting cardiovascular disease, driven by its Opal data platform
- On April 5<sup>th</sup>, **Bioventus** announced that it will acquire **CartiHeal**, an Israeli medical device company, in a deal worth up to US\$450 million. Bioventus has opted to exercise an option baked into its original 2020 partnership with CartiHeal that allowed it to acquire the latter once its Agili-C cartilage repair implant received FDA approval. The deal will bring CartiHeal’s complementary product into Bioventus’ growing portfolio of medical devices

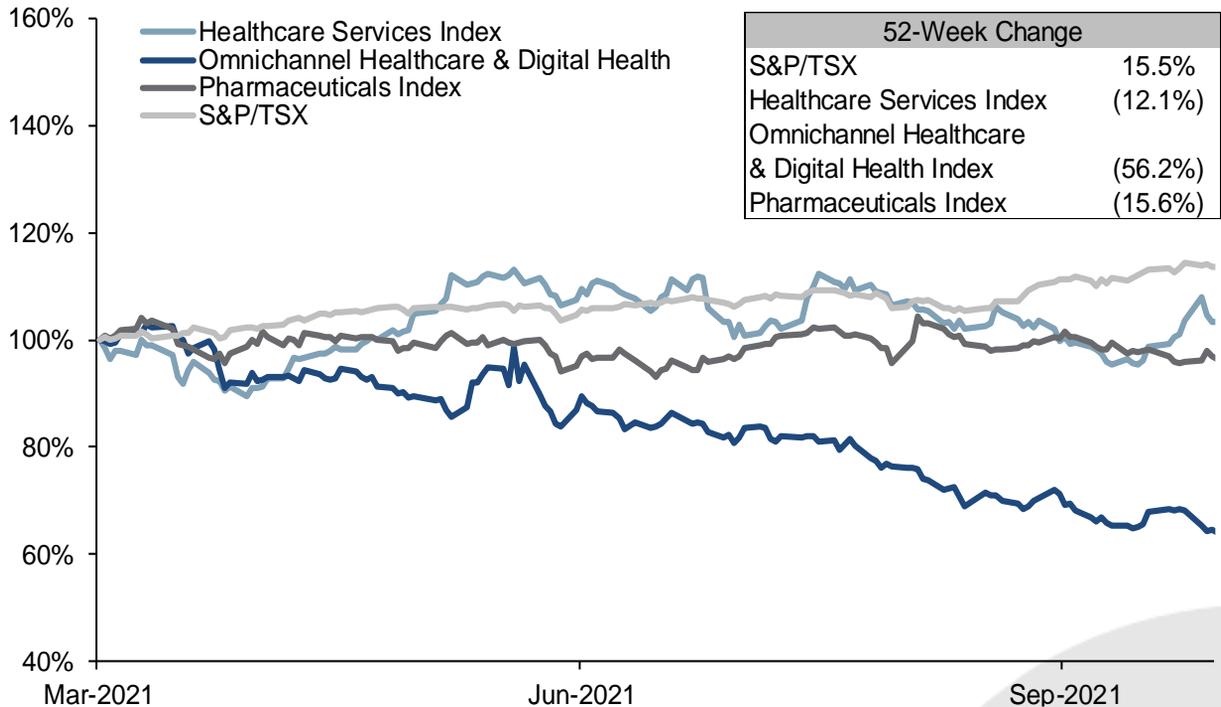
### Key Indicators

<i>In \$CAD millions</i>	Market		TEV / Revenue		TEV / EBITDA		Price % of
	Cap	TEV	2022E	2023E	2022E	2023E	52-Week High
Bausch Health Companies Inc.	10,204.6	32,612.6	3.1x	3.0x	7.4x	7.2x	67.0%
Knight Therapeutics Inc.	627.0	515.4	2.0x	1.8x	11.9x	8.9x	93.7%
HLS Therapeutics Inc.	493.8	570.2	4.3x	2.5x	10.0x	5.1x	74.1%
Theratechnologies Inc.	320.6	343.4	3.3x	2.6x	neg	neg	60.1%
<b>Average</b>			<b>3.2x</b>	<b>2.4x</b>	<b>9.8x</b>	<b>7.1x</b>	<b>73.7%</b>



## MARKET PERFORMANCE

### Indexed Segment Performance<sup>1</sup>



### Charting the Course

- The TSX index increased 15.5% over the last 12-months, down from last month's 52-week increase of 17% due to weakness in healthcare and technology stocks and rising interest rates as central banks move to moderate hotter-than-expected inflation data
- Our Healthcare Services Index is recording a 12-month decrease of 12.1%, down from last month's decrease of 5.6% as an increase in covid cases drives headwinds in the sector
- Our Omnichannel Healthcare & Digital Health Index is continuing to lag, recording a decline of 56.2% over the past 12-months, consistent with last month's 51.2% drop and ongoing price pressure on technology names
- Our Pharmaceuticals Index decreased 15.6% over the last 12-months, up from last month's 20.5% decrease, as concerns over increased regulatory scrutiny of drug pricing and anti-competitive practices continue to put pressure on the industry

1. Index segments are market prices for the companies in each category as noted in the earlier pages of the report



## About Origin Merchant Partners

Origin Merchant Partners is an independent investment bank that provides value added corporate finance, mergers and acquisitions and merchant banking services delivered by senior professionals. Our clients engage us for our dedicated, high level of service and independent advice to address their strategic and financial plans

### Origin Merchant Partners

220 Bay Street, Suite 1500  
P.O. Box 23  
Toronto, Ontario  
M5J 2W4

### OMP Healthcare Team:

#### Cathy Steiner

Principal

T: 416-775-3602

cathy.steiner

@originmerchant.com

#### Jim Osler

Principal

T: 416-800-0784

jim.osler

@originmerchant.com

#### Mario Di Pietro

Principal

T: 416-800-0850

mario.dipietro

@originmerchant.com