



Healthcare Industry Highlights

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CUMBERLAND INSIGHTS

“Private” and “Healthcare”: Why we should be using those words in the same sentence



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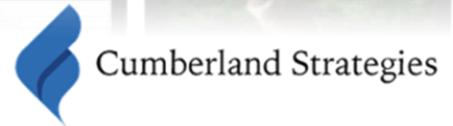
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Cumberland Strategies is a national public affairs and government relations firm headquartered in Toronto. Carys Baker is a Toronto-based Senior Consultant with a focus on the healthcare and long-term care sectors. Bliss Baker is the Chairman and founder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

“Private” and “Healthcare”: Why we should be using those words in the same sentence

It is well understood in Canadian politics that using the words “private” and “healthcare” in the same sentence is political suicide.

While the outright privatization of our healthcare system will likely never happen, it is a fact that the private sector already plays a significant role in the delivery of healthcare in Canada. In fact, over 30 percent of the healthcare system’s expenditures are private - not public. Some would argue that the Canadian healthcare system was already in a state of turmoil before the pandemic – today there is no debate – the system is in crisis. We can no longer afford to fall back on tired discussions and debates. It is time to have an honest conversation about the role that the private sector can play to meet some of the 21st-century challenges that we are facing. We need to look to the private sector to support some of the system’s primary challenges, namely medical procedure wait times, backlogs and labour shortages. With no intention to abandon public healthcare, Canadians need to acknowledge the role that the private sector currently plays, as well as the role it can and should play going forward.



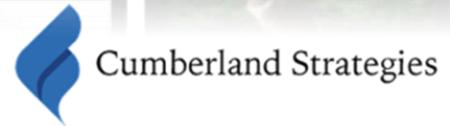
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The Canada Health Act: Where does the private sector fit?

The word “private” holds two different meanings in the healthcare system. When we say the private sector can play a role, we mean private businesses can support the public system with resources, all while upholding the Canada Health Act. These private expenditures in our public system are essential for its survival. We run into trouble with the Canada Health Act when we talk about private billing. Private billing would require significant changes to our system that a majority of Canadians will likely never support. In fact, the B.C. Court of Appeal just dismissed an appeal by Dr. Brian Day, challenging legislation that prevents patients from accessing private care when wait times in the public system are too long. However, allowing the private sector to get more involved by providing more products and services to the public system is a solution that will solve some system problems within the boundaries of the Canada Health Act.

Today, hospitals outsource dozens of services to private companies that can provide products and perform services faster, cheaper and more effectively than the public sector. For example, private businesses research, create, design and manufacture medical technology, devices and pharmaceuticals to be sold to the public sector. Businesses also provide maintenance, janitorial, laundry, audit, legal, architectural and purchasing services, to name a few. Each of these products and services is delivered by the private sector within the public system. Public hospitals could not operate without private sector involvement.

Private sector expenditures in 2014 were \$60.3 billion in Canada, much higher than most other developed countries. Private sector expenditures in Canada actually exceeded the total public and private healthcare expenditures in both Sweden (\$55.6B) and Austria (\$49.3B). Even though Canada’s private sector spends tens of billions annually on the healthcare system, Canadians remain vehemently against “private healthcare”. The stigma surrounding private participation in the public healthcare system is a misunderstanding of the key players currently keeping our system afloat.



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A public healthcare system in crisis

Canada’s healthcare system was surely tested during the pandemic and is facing a new crisis post-COVID-19. During the pandemic, non-essential tests, procedures and surgeries were all postponed to make room for acute COVID-19 patients. These delays have resulted in a backlog of hundreds of thousands, if not millions, of medical procedures in Canada. According to the Ontario Medical Association, it will take years to catch up on the backlog of medical procedures in Ontario alone, even with MRIs and CTs operating at 115% capacity, as mandated by the Ministry of Health. Without clearing the diagnostic backlog, hospitals cannot clear surgical backlogs that rely on diagnostics.

On top of medical procedure backlogs, hospitals across the country are facing labour and staffing shortages, primarily as a result of staff burnout. The Ontario Hospital Association found that the total vacancy rate for full- and part-time permanent positions was more than 12 percent for registered nurses and more than 10 percent for registered practical nurses, as of March 1. Staffing shortages are also causing hospitals to close their Emergency Rooms, which is further adding to backlogs and wait times. With hospitals operating beyond their maximum capacities despite labour shortages, it’s clear that something needs to change.

We need to have an honest conversation...

The Ministry of Health and Hospital executives are aware that they need innovative solutions to solve the system’s current challenges. They should be looking to the private sector for solutions to reduce the backlog of medical procedures and to support hospital staff. In many cases, the involvement of the private sector in specific areas of the public system could in fact promote access and equity. The private sector can add financing, resource capacity, management expertise, innovation, and institutional learning. In terms of Ontario’s current challenges, the private sector could provide human resources capacity, as well as expertise and innovation to increase efficiencies, improve staff conditions and improve patient outcomes.

All of this can be done without jeopardizing the Canada Health Act but it requires an honest public conversation about the role of the private sector in our public system. If we want to fix our broken system, Canadians are going to have to get more comfortable with using the words “private” and “healthcare” in the same sentence.

To learn more about Cumberland Strategies and its expertise and capabilities in the Canadian healthcare and long-term care space, reach out to Carys Baker at Carys@cumberlandstrategies.ca.



HEALTHCARE SERVICES

- On July 27th, **Monarch House Ltd.**, a portfolio company of **Venn Growth Partners** and **BDC Capital**, announced that it has acquired **1to1 Therapy Services**, a leading, Ontario-based behavioural health organization, with a focus on serving children and youth diagnosed with autism spectrum disorder
- On July 26th, **Parentis Health (“Parentis”)**, a healthcare company focusing on senior care, announced that it has acquired **Quality Life Homes** licensed residential home care facilities for elderly and memory-impaired individuals, for an undisclosed amount. The facilities will be added to Parentis’ Verona court portfolio, expanding its presence in California
- On July 13th, **Maisons Vivalto**, a group specializing in the provision of medicalized residences for the elderly, announced the acquisition of **Manoir Saint-Joseph**, a seniors' residence located in Montreal. The transaction is expected to strengthen the continuum of care offered in its two other facilities, the Floralties Lachine and Floralties LaSalle residences
- On July 12th, leading Canadian dental support organizations **123Dentist**, **Altima Dental**, and **Lapointe Group** announced that they have entered into a merger agreement to create one of the largest dental support organizations in Canada, with nearly 350 supported dental practices. The transaction is being financed through equity capital provided by **Peloton Capital Management**, **KKR**, **Heartland Dental**, a KKR portfolio company and the leading dental support organization in the US, and **Sentinel Capital Partners**
- On July 7th, **QHP Capital (“QHP”)**, the management company for **NovaQuest Private Equity**, announced its acquisition of **Lexitas Pharma Services (“Lexitas”)**, a North Carolina-based full-service ophthalmology contract research organization supporting biopharmaceutical and medical device clinical trials. Tapping into QHP’s deep expertise and domain knowledge, the transaction is expected to allow Lexitas to improve and increase the scope, quality, and efficiency of its capabilities

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.	1,971.5	3,030.2	2.4x	2.0x	12.8x	10.4x	58.5%
Neighbourly Pharmacy Inc.	998.6	1,103.9	1.7x	1.2x	14.2x	9.5x	56.3%
CareRx Corporation	182.3	289.7	0.8x	0.7x	7.6x	6.3x	55.5%
Akumin Inc.	72.5	2,153.4	2.2x	2.1x	10.6x	9.4x	15.6%
Average			1.8x	1.5x	11.3x	8.9x	46.5%



OMNICHANNEL HEALTHCARE & DIGITAL HEALTH

- On July 22nd, **CloudMD**, a healthcare technology and innovative health services company, announced that it has entered into a settlement agreement with the former owners of **VisionPros** following the previously announced review of the Company's acquisition of VisionPros, its online vision care platform. The settlement reduces the purchase consideration paid for VisionPros by \$14.6 million and removes any future earnout payments
- On July 21st, **Amazon** and **One Medical ("One")**, a technology-powered US primary care organization, announced that they have entered into a definitive merger agreement under which Amazon will acquire One Medical. Amazon will pay US\$18 per share in an all-cash transaction which is valued at approximately US\$3.9 billion including One's net debt, marking Amazon's biggest healthcare acquisition to date. Amazon expects to combine their customer obsession and history of invention with One's suite of in-person, digital, and virtual care services that are convenient to where people work, shop, and live to transform healthcare and improve outcomes
- On July 19th, **TELUS Health**, a leader in digital health technology, announced the opening of its new mental health clinic in Montreal. With five clinics across Canada, TELUS Health offers individualized programming with professional psychologists, counsellors and life coaches
- On July 13th, **Nomi Health**, a direct healthcare system providing access to affordable healthcare across the US, acquired sister companies **Everyone Health**, a marketplace for medical treatments, and **Sano Surgery**, an exchange, brokerage, and marketplace for non-emergency medical treatments, for US\$26.5 million. These acquisitions will expand Nomi's capability to provide access to affordable medical treatment
- On July 7th, **Quote.com**, a portfolio company of **Osceola Capital**, announced the acquisition of **Ring2Media**, a leading direct response marketing agency specializing in Medicare enrollment. The acquisition will be consolidated under the Quote.com brand and accelerate the company's penetration of the Medicare segment

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.	763.2	1,182.4	2.2x	2.0x	11.9x	10.2x	41.5%
Dialogue Health Technologies Inc.	202.0	107.6	1.1x	0.8x	neg	nmf	26.6%
Vitalhub Corp.	115.3	98.1	2.5x	2.2x	10.8x	9.5x	77.1%
CloudMD Software & Services Inc.	110.8	101.7	0.6x	0.5x	neg	19.8x	19.1%
LifeSpeak Inc.	65.8	131.7	2.5x	1.8x	11.9x	5.2x	14.3%
MCI Onehealth Technologies Inc.	63.1	76.6	1.2x	1.1x	neg	23.5x	42.0%
Think Research Corporation	34.0	68.4	0.8x	0.7x	20.0x	7.0x	21.7%
Average			1.7x	1.4x	13.3x	11.5x	34.6%



PHARMACEUTICALS AND MED-TECH

- On July 21st, **DRI Healthcare Trust**, focused on managing and growing a diversified portfolio of pharmaceutical royalty interests, announced it had acquired a royalty interest in pegcetacoplan for an upfront purchase price of US\$24.5 million, with an option to increase its interest in pegcetacoplan in the future. Pegcetacoplan is approved by the FDA and EMA to treat adults with paroxysmal nocturnal hemoglobinuria and is also in development for other rare disease indications
- On July 21st, **Silverback Therapeutics, Inc. ("Silverback")** (Nasdaq: SBTX), a biopharmaceutical company focused on developing therapeutics for the treatment of chronic viral infections, cancer, and other serious diseases, and **ARS Pharmaceuticals, Inc. ("ARS")**, a pharmaceutical company that specializes in developing anti-allergy drugs, announced that the companies have entered into a definitive agreement under which ARS will merge with Silverback in an all-stock transaction
- On July 18th, **Bristol Myers Squibb**, a global biopharmaceutical company, extended the tender offer for its US\$4.1 billion acquisition of **Turning Point Therapeutics**, a clinical-stage precision oncology company, to Aug. 15th. The transaction supports Bristol Myers Squibb's growth strategy with expected accretion to earnings beginning in 2025
- On July 12th, **Discovery Life Science ("Discovery")**, a biospecimen and biomarker specialist, announced its acquisition of **AllCells**, a leading provider of clinical-grade and Research Use Only primary cell products. With more than 30 years of collective cell and gene therapy (CGT) experience, AllCells and Discovery will focus on providing revolutionary products and services with greater speed and reliability to satisfy the entire CGT continuum, from basic discovery through commercialization
- On July 11th, **Biomerics**, a leading medical device contract manufacturer, announced the acquisition of **Dependable Plastics** and subsequent creation of a new division, **Biomerics' IMP**. With operations in Fairfield, California, and Salt Lake City, Utah, Biomerics' IMP is a full-service plastics component supplier to the interventional device market with a focus on robotic-assisted surgery
- On July 11th, **Innoviva, Inc. ("Innoviva")**, a diversified holding company with a portfolio of royalties and a growing portfolio of innovative healthcare assets, announced the acquisition of **La Jolla Pharmaceutical Company**, which is dedicated to the commercialization of therapies that improve outcomes in patients suffering from life-threatening disease. The acquisition advances Innoviva's strategy to diversify operations and accelerate long-term growth
- On July 11th, **Vertex Pharmaceuticals Incorporated ("Vertex")** announced that the company has entered into a definitive agreement to acquire **ViaCyte**, a privately held biotechnology company focused on delivering novel stem cell-derived cell replacement therapies as a functional cure for type 1 diabetes (T1D), for US\$320 million in cash. The acquisition of ViaCyte provides Vertex with complementary assets, capabilities and technologies that will accelerate Vertex's ongoing T1D programs

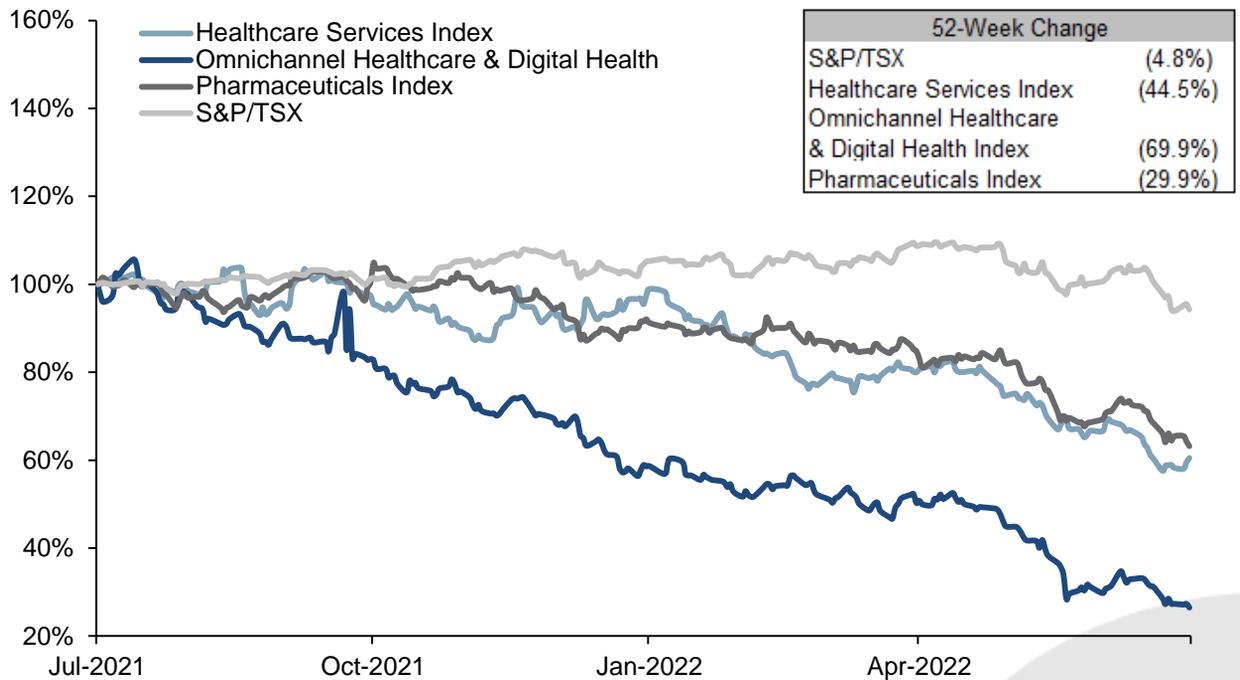
Key Indicators

In \$CAD millions	Market Cap	TEV	TEV / Revenue		TEV / EBITDA		Price % of 52-Week High
			2022E	2023E	2022E	2023E	
Bausch Health Companies Inc.	3,279.5	25,273.5	2.3x	2.3x	6.0x	5.6x	24.4%
Knight Therapeutics Inc.	589.1	468.3	1.8x	1.6x	10.3x	8.6x	89.0%
HLS Therapeutics Inc.	396.4	468.4	4.7x	2.5x	10.9x	5.9x	59.5%
Theratechnologies Inc.	274.0	296.8	2.9x	2.3x	neg	neg	51.3%
Average			2.9x	2.2x	9.0x	6.7x	56.1%



MARKET PERFORMANCE

Indexed Segment Performance¹



Charting the Course

- The TSX index decreased 4.8% over the last 12-months, compared to last month's 52-week decrease of 5.8%. The improvement is largely attributable to upbeat corporate earnings and rising expectations that the Fed would begin to slow the pace of interest rate hikes
- Our Healthcare Services Index reflects a 12-month decrease of 44.5%, down from last month's decrease of 43.2%, on the back of continued Omicron pressures and market conditions
- Our Omnichannel Healthcare & Digital Health Index has recorded a decline of 69.9% over the past 12-months, up from last month's 73.5% drop, due to the inflationary impact alongside the broader market sentiment
- Our Pharmaceuticals Index decreased 29.9% over the last 12-months, up from last month's 36.8% decrease, and consistent with current market conditions

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

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