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Industry Highlights on

Healthcare

THE ORIGIN RX

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North America's Middle Market M&A Advisory Boutique.

Views from an Industry Leader

From his start in venture capital, Jeff Park moved into the healthcare industry, guiding the transformation of a mid-sized Canadian healthtech company, into a multi-billion dollar North American success story. On the following pages, Jeff shares valuable insights about private vs. public healthcare, and his views on buy vs. build as a growth strategy.

Origin: *Your career in the healthcare sector is fascinating. Can you describe your trajectory from Canadian VC investor to COO of a multi-billion dollar US healthcare company?*

Jeff: I started my career at Covington Capital, a venture capital fund that invested across a range of sectors, including healthcare. In 2006, I moved into the CFO position at Milton-based Catamaran, one of Covington's portfolio companies. TSX-listed Catamaran provided pharmacy claims processing solutions, selling its software solutions into the US market and generating annual revenue of about $55 million, with a market cap of $200 million.

Around that time, the introduction of several significant US legislative and policy developments around patient privacy, senior services and compliance requirements presented an opportunity to dramatically change Catamaran's growth trajectory. The company listed on the NASDAQ, and under my purview, launched an active acquisition campaign targeting Catamaran customers that were selling the services facilitated by our tools. That changed the paradigm for our business, shifting us from a technology to a tech-enabled service business, changing the revenue profile dramatically and allowing us to participate in the delivery of healthcare, rather than just providing transaction support for healthcare.

Let's fast forward: over the following years, we acquired fourteen companies, expanded into services and healthcare providers, and grew the business to $21 billion in revenue and $850 million in EBITDA. In 2014, we sold to United Healthcare, one of our technology clients. I ran all of the operations of the merged entity, which was now a $75 billion revenue company, and continued in that role until 2016. Since that time, I have returned to Canada, but am actively engaged with healthcare services businesses. I sit on several company boards in the US, and have worked with a number of PE firms, including the Carlyle group, helping them build out a Pharmacy Benefits Management platform.

Origin: *Based on your extensive experience, what worked well in the US healthcare system? Would any of those elements help to improve the Canadian healthcare system?*

Jeff: It goes without saying that the US healthcare system is very different from the Canadian system in terms of private vs public – profit motive, who gets paid, and who is incented to drive savings are key factors. While, in my view, healthcare as a purely for profit system is a bad idea, the positive is that a for profit system creates incentive to drive efficiencies and find ways to make improvements. And from that come lessons that are applicable in Canada:

Views from an Industry Leader

1. ***Getting to the lowest cost of care without compromising quality:*** The continued buildout of telehealth is critical here, allowing patients to have better access to healthcare in their homes. In healthcare, the biggest dollars are spent on treatment in the hospital system: going to the emergency room, staying in the hospital for treatment. The least expensive is treatment at home, and clinics are somewhere in between. By building out more effective telehealth platforms, we can provide care to patients on demand, provide access to experts without requiring patients to travel long distances, and eliminate the need to go to clinics or hospitals for minor health issues, and do this at significantly lower cost of care.
2. ***Leveraging available technology to drive decision making to patients and promote patient engagement****:* Canada has a lot of the fundamentals in healthcare. We have the opportunity to deploy care effectively across our platforms. But we need to drive more efficiency by leveraging technology to make patients and physicians better at delivering these services. We have some great solutions here in Canada, but rather than looking to the federal or provincial governments to fund health tech innovation for our small market, we can look to US technology companies, where the for profit system has driven investment into an array of healthcare technology solutions, with the potential to adapt the best of those solutions to the Canadian market.
3. ***Introduction of a version of privately available services****:* These would not be for life-saving treatments, but for non-critical surgeries, routine services, testing, diagnostic services. This would allow us to be more efficient in accessing care, and these for-profit healthcare providers will be incentivized to tap into technology solutions to improve patient care, which could ultimately benefit patients across the Canadian healthcare system.

Origin: *You've talked about accessing the US tech solutions, but what advice do you have for Canadian companies that are working to develop and provide healthcare technology solutions?*

Jeff: The Canadian market is very small, and in our public healthcare system access to funding/investment dollars for these Canadian companies is limited. So they need to ensure their messaging and solutions are adaptable or translatable to the much larger US market. I am working with Canadian technology companies looking to develop and sell healthcare technologies into the Canadian market, focused on how to translate their words and services to fit into the US marketplace. That is where there is a big opportunity for Canadian health tech companies: ensuring they have a road map that makes their offerings applicable the US marketplace.

Origin: *Given your tremendous success building out Catamaran, we'd like to close with a question about buy vs. build. Based on your experience, what are the pros and cons of M&A as a growth driver?*

Jeff: The long slow road is to build. The far better path is to be good at acquiring companies; not just buying strong growth companies but really understanding what you are acquiring, how to put the companies together, and how to execute against what you have bought, in particular when you are going into a new market. So being a public company with liquid shares brings a tremendous benefit - leveraging capital markets effectively is a key to success. In a nutshell, the best way to drive efficient, profitable growth is by buying companies, and doing that well.

Healthcare Services

- On April 20th, **TPG (NASDAQ: TPG)**, a global alternative asset management firm, and **AmerisourceBergen Corporation (“ABC”) (NYSE: ABC)**, an American drug wholesale company, announced that they have agreed to acquire **OneOncology**, a network of oncology practices headquartered in Nashville, from **General Atlantic**, for US$2.1 billion, with TPG acquiring the majority interest. OneOncology will benefit from TPG’s expertise in healthcare providers, while its practice management services will be complementary to ABC’s existing capabilities in inventory management, practice analytics and clinical trial support
- On April 18th, **Cortica**, a US-based physician-led autism services company, announced the closing of a US$75 million round of funding and the acquisition of **Springtide Child Development**, a group of six autism centers in Connecticut and Massachusetts, and **Melmed Center**, a developmental pediatrics clinical and research group based in Arizona, for an undisclosed amount. The funding round was led by **Deerfield Management** and **Optum Ventures**, and the acquisitions establish a major physical presence for Cortica in Northeastern US
- On April 18th, **Canada Diagnostics Centres (“CDC”)**, a portfolio company of **Novacap**, and a leading provider of medical imaging services, announced the acquisition of **Women’s Ultrasound Clinic (“WUC”)**, Ottawa’s principal ultrasound provider, for an undisclosed amount. The acquisition signifies CDC’s entry into Ontario and will enhance the scope and capabilities of CDC’s imaging services
- On April 11th, **Revelstoke Capital Partners**, a US-based healthcare focused PE firm, through its portfolio company **ClareMedica Health Partners ("ClareMedica")**, a provider of value-based primary care services for Medicare Advantage patients, announced that it has completed the acquisition of **Plaza Medical Centers**, a Florida-based primary care provider for Medicare Advantage patients, for an undisclosed amount. The acquisition will nearly double ClareMedica’s patient base to ~10,000, and will further expand its technology-enabled care model in the high-growth Medicare Advantage sector
- On April 11th, Wisconsin-based, not-for-profit health care systems, **Froedtert Health (“Froedtert”)**, and **ThedaCare**, signed a letter of intent to combine and form an 18-hospital system. Froedtert’s integrated network is comprised of 10 hospitals, over 2100 providers and 45 other locations, and ThedaCare spans 17 countries with 8 hospitals and over 180 care locations. The merger will strengthen recruitment and retention in a time of workforce shortages. The combined system will be worth roughly US$5 billion
- On April 3rd, **Community Health Systems, Inc. (“CHS”) (NYSE: CYH)**, a US-based healthcare company, announced that it has completed the divestiture of 25-bed **Plateau Medical Center** in Oak Hill, West Virginia, to **Vandalia Health**, a US-based healthcare provider, for US$92 million. The divestiture is among the additional potential divestitures discussed on CHS’s fourth quarter and year-end 2022 earnings call

Key Indicators

	Market		TEV / Revenue		TEV / EBITDA		Price % of
In $CAD millions	**Cap**	**TEV**	**2023E**	**2024E**	**2023E**	**2024E**	**52-Week High**
dentalcorp Holdings Ltd.	1,668.5	2,927.1	2.0x	1.8x	10.9x	9.6x	60.1%
Neighbourly Pharmacy Inc.	940.8	1,236.5	1.4x	1.2x	12.1x	9.4x	76.5%
CareRx Corporation	131.0	237.8	0.6x	0.6x	7.6x	5.9x	43.0%
Akumin Inc.	101.7	2,282.2	2.2x	2.0x	10.7x	9.5x	27.2%
Average			**1.5x**	**1.4x**	**10.3x**	**8.6x**	**51.7%**

- On April 24th, **Vyne Dental**, a US-based provider of revenue cycle, claims management, and electronic health information exchange for dental practices, announced the acquisition of **Simplifeye, Inc.**, a US-based company that provides software solutions and payment processing for dental practices, for an undisclosed amount. The acquisition furthers Vyne Dental's mission of simplifying the process of claims and attachment management and accelerating revenue growth for dental practices
- On April 20th, **WellSky**, a US-based health and community care technology company, announced its acquisition of **Curaspan**, a US-based company that offers care transition tools for hospitals and post-acute healthcare providers, for an undisclosed amount. This acquisition will expand the capabilities of WellSky's CarePort suite of solutions into care transitions, which will help providers more easily develop tailored plans and connect patients to the most appropriate care after they leave the hospital
- On April 17th, **Temasek Holdings**, through its portfolio company **Global Healthcare Exchange**, a US-based provider of cloud-based supply chain network focused on healthcare, announced that it has signed a definitive agreement to acquire **Prodigo Solutions, Inc.**, a US-based healthcare supply chain and data enablement technology company, for an undisclosed amount. The acquisition will help healthcare providers by directing spending toward contractually compliant and cost-optimized product options during the procurement process
- On April 13th, **NewSpring Capital**, through its portfolio company **Verisma**, a US-based health information manager specializing in disclosure management, announced its acquisition of **ScanSTAT**, a US-based provider of health information management solutions specializing in release of information (ROI), for an undisclosed amount. The combined company provides faster turnaround times through automation and expanded services to manage compliance requirements
- On April 12th, **UnitedHealth Group Inc.**, through its subsidiary **QualityMetric**, a US-based provider of general and patient-specific health surveys, announced its acquisition of **HealthActCHQ ("HACHQ")**, a US-based provider of patient-reported outcome (PRO) surveys, for an undisclosed amount. HACHQ's portfolio of child and infant parent and patient-reported outcome measurement tools will complement QualityMetric's adult PROs and clinical outcomes assessment (COA) measures
- On April 10th, **CareTuner Inc. ("CareTuner")**, a US-based provider of digital health solutions, announced that it has completed its merger with **Ctrl M Health**, a US-based developer of integrative health and wellness solutions for people with migraines, for an undisclosed amount. The deal will help CareTuner create a comprehensive suite of remote monitoring and digital health solutions for neurological conditions

Key Indicators

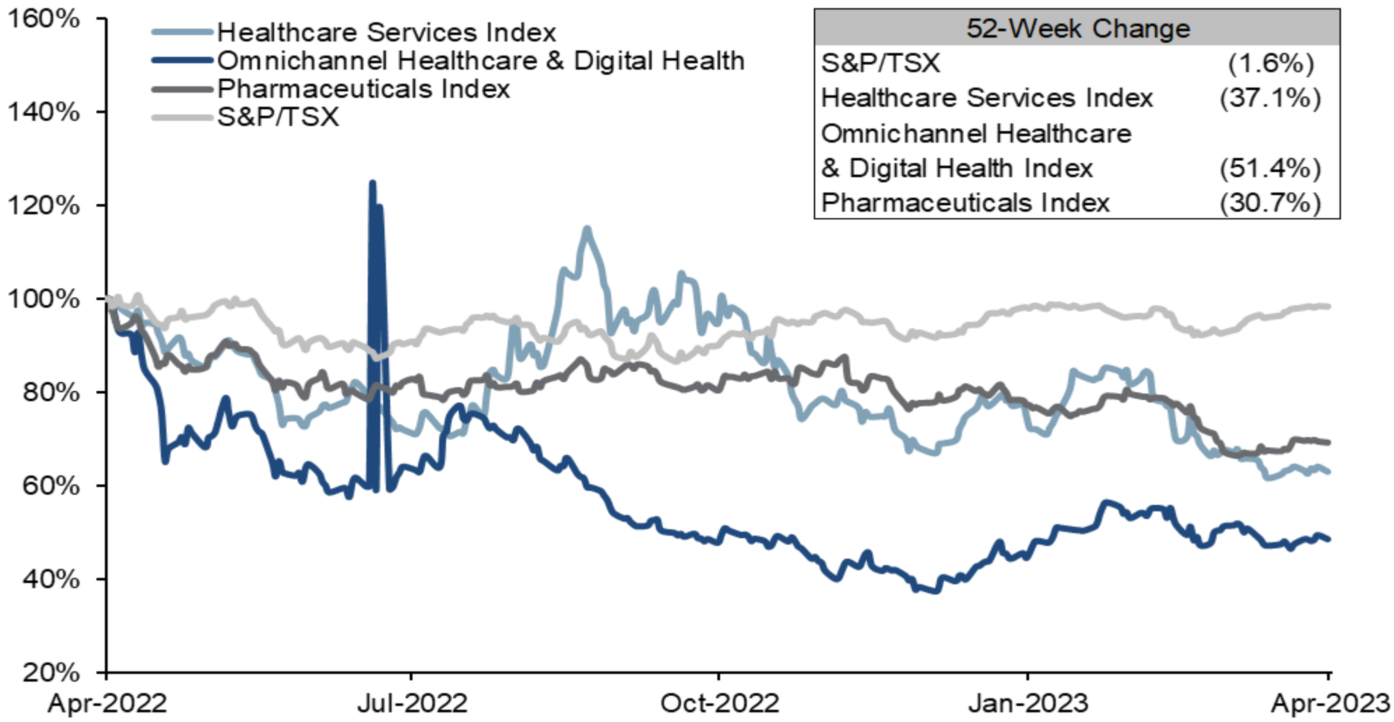
In $CAD millions	Market Cap	TEV	TEV / Revenue 2023E	TEV / Revenue 2024E	TEV / EBITDA 2023E	TEV / EBITDA 2024E	Price % of 52-Week High
WELL Health Technologies Corp.	1,282.8	1,665.2	2.5x	2.2x	14.4x	12.3x	96.3%
Dialogue Health Technologies Inc.	242.9	181.1	1.7x	1.3x	neg	34.2x	67.7%
Vitalhub Corp.	120.0	103.4	2.1x	1.9x	8.8x	7.3x	86.5%
CloudMD Software & Services Inc.	58.8	63.0	0.5x	0.5x	neg	8.9x	30.5%
Think Research Corporation	33.4	77.2	0.8x	0.7x	11.7x	8.0x	43.0%
LifeSpeak Inc.	19.1	102.2	1.8x	1.6x	6.3x	4.9x	7.8%
MCI Onehealth Technologies Inc.	10.2	28.0	0.5x	na	12.5x	na	11.9%
Average			**1.5x**	**1.4x**	**10.0x**	**11.5x**	**43.9%**

- On April 24th, **Eli Lilly and Company (NYSE: LLY)** announced that it has entered into a definitive agreement to divest **BAQSIMI**, a nasally administered glucagon for the treatment of severe hypoglycemia in people with diabetes, to **Amphastar Pharmaceuticals, Inc. ("Amphastar") (NASDAQ: AMPH)**, a US-based pharmaceutical company focused on developing, manufacturing, and marketing injectable, intranasal, and inhalation products, for US$1,075 million. BAQSIMI sales totaled US$139.3 million for 2022. The deal will bolster Amphastar's diabetes portfolio offerings
- On April 20th, **Blue Water Vaccines Inc. ("BWV")**, a biopharmaceutical company focused on developing vaccines, headquartered in Ohio, announced the signing of an Asset Purchase Agreement with **Veru Inc.**, a US-based biopharmaceutical company focused on developing novel medicines for oncology and infectious diseases, for the purchase of **ENTADFI**, an FDA-approved treatment for benign prostatic hyperplasia (BPH) that counteracts negative sexual side effects seen in men on alternative BPH therapies, for US$100 million. The acquisition transforms BWV into a broader pharmaceutical company spanning multiple sectors
- On April 18th, British multinational pharmaceutical and biotech company, **GSK plc ("GSK") (LSE/NYSE: GSK)**, announced that it has entered into an agreement to acquire **BELLUS Health Inc. ("BELLUS") (TSX/NASDAQ: BLU)**, a Canada-based late-stage biopharmaceutical company focusing on cough-related diseases, for US$2.0 billion. The acquisition further strengthens GSK's specialty medicines and respiratory pipeline with camlipixant, a highly selective P2X3 antagonist and potential treatment for refractory chronic cough
- On April 17th, **Shin Nippon Biomedical Laboratories, Ltd. ("SNBL") (JPX: 2395)**, a Japan-based contract research organization providing drug discovery and development services, announced that it has entered into a definitive agreement to acquire **Satsuma Pharmaceuticals, Inc. ("Satsuma") (Nasdaq: STSA)**, a US-based development-stage biopharmaceutical company developing a novel therapeutic product, STS101, for the acute treatment of migraine, for US$222.7 million. STS101 will strengthen the fundamental technology in SNBL's translational research (TR) business
- On April 16th, American multinational pharmaceutical company, **Merck (NYSE: MRK)**, announced that it has entered into a definitive agreement to acquire **Prometheus Biosciences, Inc. ("Prometheus")**, a US-based clinical-stage biotechnology company focusing on inflammation and immunology, for US$10.8 billion. Prometheus' lead candidate is PRA023 for the treatment of immune-mediated diseases including ulcerative colitis (UC), Crohn's disease (CD), and other autoimmune conditions
- On April 3rd, **Enovis Corporation ("Enovis") (NYSE: ENOV)**, a US-based medical technology company, announced a definitive agreement to acquire **Novastep**, a US-based provider of minimally invasive surgery (MIS) foot and ankle solutions, from **Amplitude Surgical SA (Paris: AMPLI)**, a France-based developer of clinically proven foot and ankle solutions, for an undisclosed amount. Novastep's MIS bunion system and its portfolio of CE marked forefoot and midfoot implants and strong OUS channel will further strengthen Enovis' position in the foot and ankle market

Key Indicators

In $CAD millions	Market Cap	TEV	TEV / Revenue 2023E	TEV / Revenue 2024E	TEV / EBITDA 2023E	TEV / EBITDA 2024E	Price % of 52-Week High
Bausch Health Companies Inc.	3,696.9	25,084.9	2.2x	2.2x	6.1x	5.7x	37.1%
Knight Therapeutics Inc.	530.6	422.7	1.4x	1.4x	10.0x	9.3x	77.7%
HLS Therapeutics Inc.	194.1	270.7	2.7x	1.9x	8.1x	4.9x	38.5%
Theratechnologies Inc.	122.0	158.8	1.3x	1.1x	neg	11.5x	33.6%
Cipher Pharmaceuticals Inc.	84.5	56.1	1.8x	1.8x	3.2x	3.3x	82.8%
Average			**1.9x**	**1.7x**	**6.8x**	**6.9x**	**54.0%**

Indexed Segment Performance[1]



Charting the Course

- The TSX index decreased 1.6% over the last 12-months, an improvement from March's 52-week decrease of 11.3%. The recovery can be attributed to BoC's pause as well as positive inflation data and the orderly resolution of the minor banking crises in the US, both lending credence to the notion that the Fed may be close to ending its hiking cycle too
- Our Healthcare Services Index reflects a 12-month decrease of 37.1%, falling from March's decrease of 32.7%, as the market continues to digests the higher cost of capital and labor
- Our Omnichannel Healthcare & Digital Health Index has recorded a decline of 51.4% over the past 12-months, in line with March's 51.7% drop, as the earnings season continues to be a mixed bag
- Our Pharmaceuticals Index decreased 30.7% over the last 12-months, up from March's 33.1% decline, due to easing financial conditions

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

About Us

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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