Healthcare & Life Science Industry

QUARTERLY UPDATE

Q2 2022

M&A Activity Plummets 1H'22

Credit Markets Likely to Tighten, but a Healthy Level of M&A Is Expected to Continue in the Growing and Defensive Healthcare Sector

Market Summary & Outlook | Q2 2022

The index of Healthcare & Life Science equities tracked by Stout was down 16.8% in Q2 2022, which was in line with the S&P 500 decline of 16.4%. Healthcare & Life Science M&A activity plummeted to 338 deals in Q2 2022 versus 535 in Q2 2021 and a record 565 deals in Q4 2021.

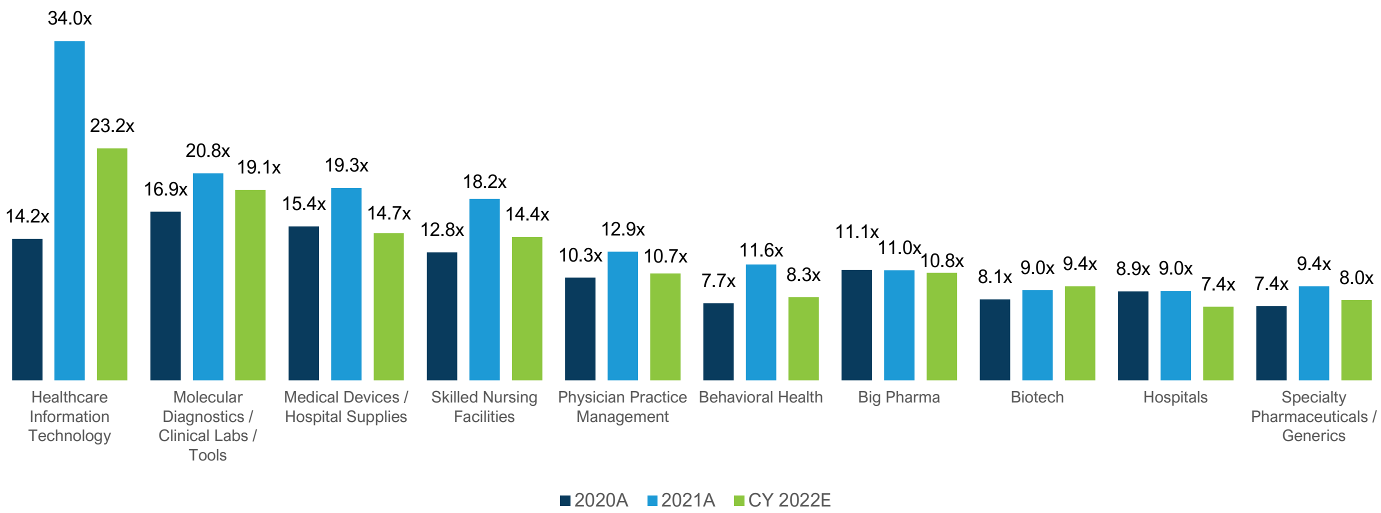
INTRODUCTION

The S&P 500 index dropped 16.4% in Q2 2022, while the Healthcare & Life Science equities tracked by Stout declined 16.8% across all subsectors. The market finally succumbed to the pressure of the Federal Reserve raising interest rates in an effort to combat a surprisingly high inflation rate of over 8%, which still continues to climb. Recession concerns have also crept into investor sentiment and contributed to the downward pressure in the market. The interest rate hike, seemingly long overdue, was likely driven by excessive stimulus payments impacting inflation as well as the COVID-19 pandemic's detrimental impact on the worldwide supply of labor and materials, which led to rising costs.

SUBSECTOR ANALYSIS

Subsector Average EBITDA Multiple

(Public Company Multiples Based on Enterprise Value/LTM EBITDA)



Source: S&P Capital IQ, FRED Economic Data

Market Summary & Outlook (cont.)

Healthcare Services

Healthcare Service equities underperformed the S&P 500, but the outperformance of the Big Pharma and Biotech subsectors allowed healthcare overall to keep pace with the market.

Hospital stocks dropped 32.6% in the second quarter and were the worst performing subsector tracked by Stout in the quarter. Rising costs for nurses and hospital staff along with growing labor shortages have resulted in several of the largest hospital companies, such as HCA Healthcare, lowering earnings estimates, which drove prices downward across the subsector in Q2 2022. To combat labor shortages, hospitals have been frequently contracting out for traveling nursing staff or dealing with organized building staff, which ultimately raises their cost of labor. The large hospital networks still expect revenue improvement in the near term from an uptick in the number of premium elective procedures as pandemic-related care further dissipates, though the pace at which this is occurring is not as fast as anticipated. Proposed changes to the Centers for Medicare & Medicaid Services ("CMS") payments for surgical procedures may also reduce confidence in the outlook.

Stout has not observed the same labor cost issues impacting the Physician Practice Management ("PPM") subsector, as these companies typically avoid turning to contract labor, and some PPM companies have already been paying at higher rates. Supply costs are often less significant in the cost structure of PPM companies, and campaigns run by large drug companies in an effort to increase market share for pharmaceuticals coming off patent expiration may generate additional opportunities for PPM companies to achieve higher margins on J-Code drug billing. PPM equities have been impacted by company-specific issues, the phasing out of employee retention credits or PPP loans, or concerns over proposed changes in the CMS Physician Fee Schedule. There are a limited number of public companies in the PPM space, which makes comparisons to private PPM companies almost useless. However, Stout remains very bullish on opportunities for PPM roll-up opportunities across several subsectors that are earlier in the consolidation cycle, less picked over, and offer many ancillary services that can be bolted on to acquiring companies, notably Med Spas, Rheumatology, Fertility, and Urology.

CMS Proposed Changes to the Physician Fee Schedule for 2023

On July 7, 2022, the CMS announced that it is soliciting public comment on proposed policy changes for Medicare payments under the Physician Fee Schedule ("PFS") effective on or after January 1, 2023. Physician payments are based on multiplying Relative Value Units ("RVUs") that are assigned to each type of service by a conversion factor. RVUs are applied to each service for work, medical practice expenses, and malpractice expenses. The proposed changes would reduce the conversion factor by 4.4% from $34.61 in CY 2022 to $33.08 in CY 2023. The conversion factor being lowered is a direct result of the expiration of a 3% increase in the PFS that was legislated by Congress for 2022, designed to offset expenses related to COVID-19. The proposal is open to public comment through September 2022, and Stout anticipates that the industry lobbyists will argue for change given that the CMS proposal does not appear to adequately consider inflationary pressures impacting practice costs, tighter labor market conditions, and COVID-19 expenses.

Market Summary & Outlook (cont.)

The Behavioral Health subsector was down 18.4% in Q2 2022, with only Acadia Healthcare posting a gain in share price. The new CMS proposal previously mentioned also incorporates new policies that seek to expand access to behavioral health services, Accountable Care Organizations (“ACOs”), cancer screening, and dental care, particularly in rural and underserved areas. CMS appears to be trying to promote more preventative care with greater reimbursement parity for primary care and behavioral health services versus surgical interventions. The COVID-19 pandemic has put enormous strain on the global workforce in terms of cultivating widespread anxiety and depression. Policymakers are recognizing the need for payers to increase coverage and reimbursement for integrated behavioral health services, which entails primary care and behavioral health collaboration, to achieve better clinical and cost outcomes along with a healthier workforce.

Access to telemedicine in behavioral health is also expected to increase over time, but there are prevailing questions that continue to be discussed as to whether opioids can be prescribed in telemedicine consultations versus in-person visits once the public health emergency passes. There are several pieces of pending legislation that could extend exemptions from the requirement of an in-person visit or simply allow exemptions permanently through a physician registration process. There remains a need for clinical outcomes studies for behavioral health therapies that can objectively evaluate different treatment strategies and focus on coverage for those with proven clinical outcomes. Lower income persons also need greater access to care, which is a problem created by traditionally lower rates for Medicaid and providers who opt to only accept Medicare and commercial insurance plans. Separately, behavioral health investors are often concerned about high out-of-network rates charged by some providers, causing them to pass on investment in certain companies. Given the fluid reimbursement landscape, Stout believes that private equity investors are taking a “wait-and-see” approach to many behavioral health investments at present, but the subsector is set to benefit in the long term as a result of political tailwinds in its favor.

Healthcare Information Technology equities were down 21.2% in the quarter. Telemedicine leader Teladoc tumbled 54% in the quarter as the pandemic continues to subside and patients are no longer sheltering in place, electing instead to partake in in-person visits. Telemedicine is also experiencing a higher level of competition and growing costs of advertising.

Skilled Nursing Facilities equities fell 20.8% in the quarter. The Biden Administration has proposed some reforms that are summarized in a recent White House press release:

“The President believes we must improve the quality of our nursing homes so that seniors, people with disabilities, and others living in nursing homes get the reliable, high-quality care they deserve. That’s why he is announcing a set of reforms—developed by and implemented through the Department of Health and Human Services (HHS)—that will improve the safety and quality of nursing home care, hold nursing homes accountable for the care they provide, and make the quality of care and facility ownership more transparent so that potential residents and their loved ones can make informed decisions about care. Without decisive action now, these unacceptable conditions may get worse. Private equity firms have been buying up struggling nursing homes, and research shows that private equity-owned nursing homes tend to have significantly worse outcomes for residents.

Market Summary & Outlook (cont.)

Private equity firms' investment in nursing homes has ballooned from $5 billion in 2000 to more than $100 billion in 2018, with about 5% of all nursing homes now owned by private equity firms. Too often, the private equity model has put profits before people—a particularly dangerous model when it comes to the health and safety of vulnerable seniors and people with disabilities. Recent research has found that resident outcomes are significantly worse at private equity-owned nursing homes."

We will not get into the detailed statistics they cite around hospitalizations, infection rates, and mortality rates in PE-owned facilities, but it's clear that the government will step up enforcement for non-compliance. Private equity firms have little ownership of skilled nursing facilities. Real Estate Investment Trusts ("REITs") generally own the real estate, and private investor groups or public entities are the primary operators. Operators also have certainly had difficulty staffing during the pandemic, and COVID-19 deaths in these facilities surely did not help, so making it more difficult to treat patients with higher nursing ratios when the industry is facing staffing shortages will only increase costs or shut down access. Operator concerns about stepped up enforcement actions may further deter investment in a sector that has already been damaged by COVID-19 and patient care migrating into the home care setting as well as reimbursement cuts over the years.

Spotlight: Home Care and Medicaid Outlook

As a general observation, Stout thinks that many states will increase reimbursement rates and funding for Medicaid recipients, who have often had difficulty accessing quality home care due to providers declining to participate in government-funded programs. In California, Medicaid has become an attractive and lucrative business for providers who know how to effectively operate in the segment.

Stout anticipates that payers will increasingly refer patients into the lower cost home setting earlier in the continuum of care, and we are actively working on mandates within the home healthcare supply and medical equipment distribution subsectors, where the market is also expanding and moving toward capitation from traditional fee-for-service models. The far more compelling capitation model is a key driver of growth in these subsectors, as the provider receives cash up front without the concern of having to collect from insurance, while avoiding the regulatory scrutiny of government-backed plans. Another area where Stout is actively engaged is unskilled home care, where Medicaid beneficiaries receive paid care from family members that serve as a built-in work force for the agency. Reimbursement rates are rising in this subsector as well to keep up with inflation in the rates needed to be paid to caregivers. Home care agencies have extensive potential to expand geographically and capitalize on roll-up opportunities in a fragmented market, while offering additional, adjacent service lines.

Medical Devices & Life Sciences

The defensive pharmaceutical equities outperformed the market during Q2 2022. Big Pharma was flat, while Biotech was actually up 1.5%, as this recession-resistant subsector served as a safe haven for investors. Specialty Pharmaceuticals dipped 22.0%, largely attributed to significant drops from

Market Summary & Outlook (cont.)

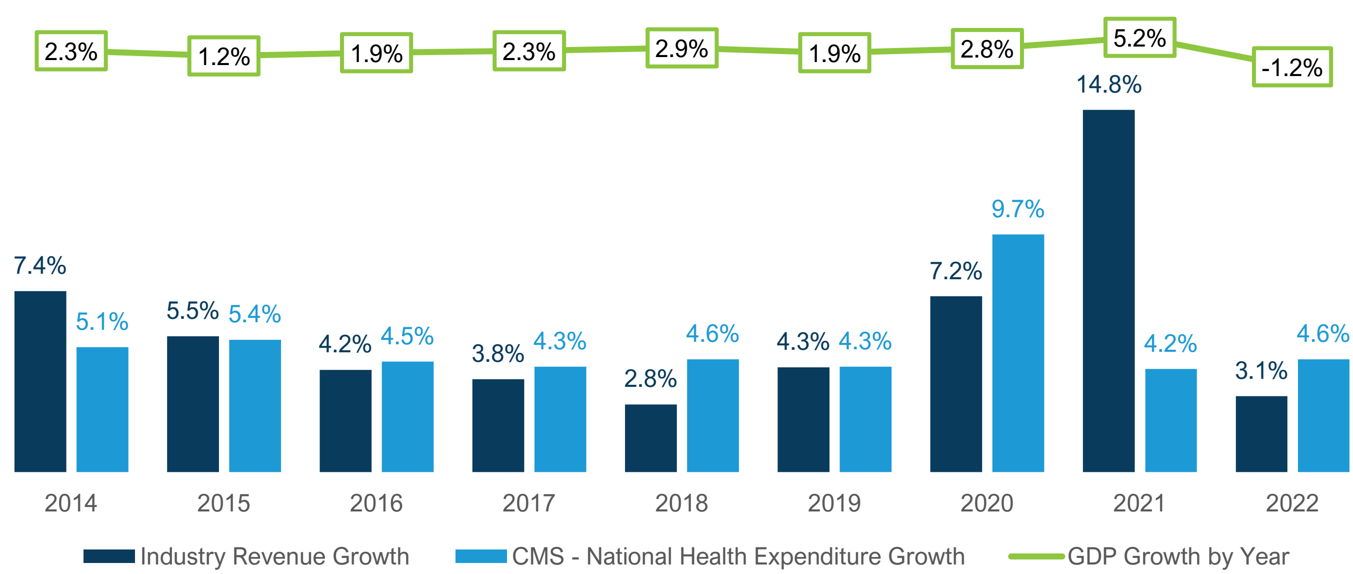
Bausch Health Companies and Endo International. Generic competition, unrelenting opioid litigation expenses, debt burden, and poor financial results, for example, led to an 80% drop in Endo International's share price.

Medical Device equities were down 18.5% in the quarter, while the Molecular Diagnostics / Clinical Labs / Tools subsector declined 15.7%, driven down by weaker performance among high-multiple names, such as Illumina.

Stout is currently prepping several medical device mandates for market in both the OEM and contract manufacturing subsectors. Supply chain disruption, higher freight costs, and tariffs on imported raw materials have had a minor impact on many companies, but most are indicating that the worst is behind them, that they were able to pass the costs on, reduce other expenses, and maintain margins.

Revenue Growth: Stout Healthcare Universe vs. CMS Health Expenditures vs. GDP

(Industry Revenue Figures Based on Subsectors Tracked by Stout)



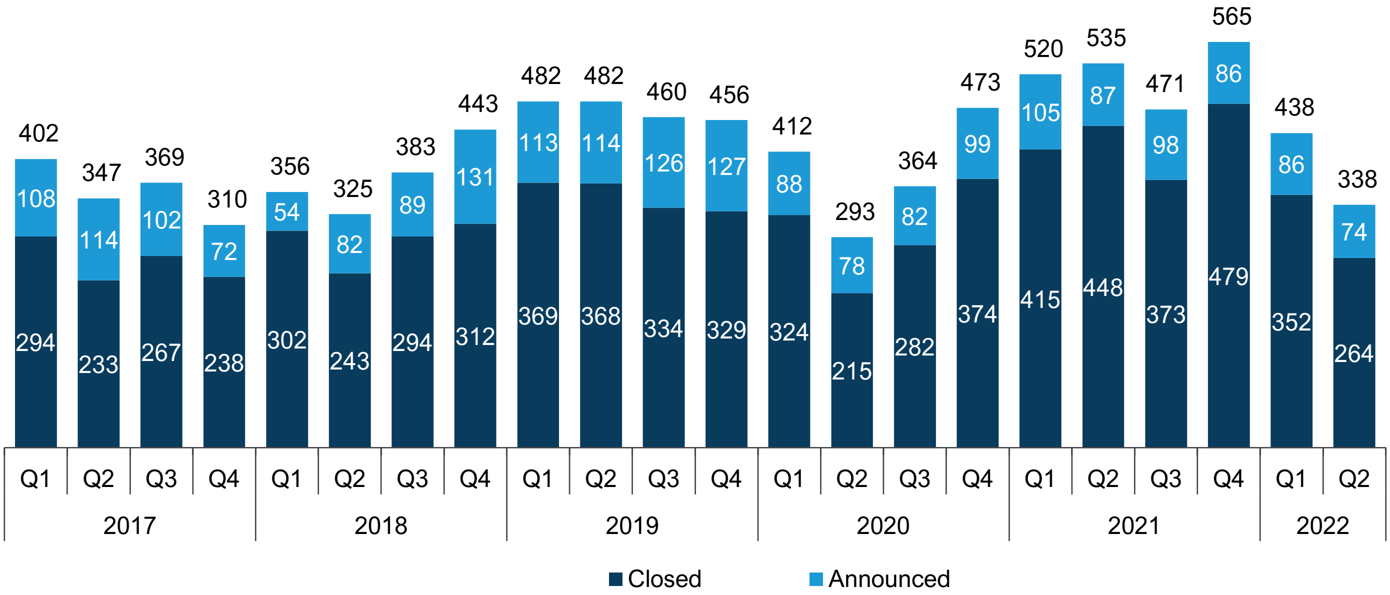
The Healthcare & Life Science industry revenue growth is tracking at 3.1% year-to-date versus negative GDP growth of -1.2% and a recently reported inflation rate of over 8%. Interestingly, negative real growth in GDP coupled with inflation is a trend that has not been observed for some time.

Sources: S&P Capital IQ, FRED Economic Data, Center for Medicare & Medicaid Services

Stout – Healthcare M&A Activity Highlights

Quarterly Healthcare & Life Science M&A Transaction Volume

(Number of Announced & Closed M&A Transactions Per Quarter)



M&A MARKET KEY TAKEAWAYS

- M&A transaction volume across the Healthcare & Life Science industry plummeted in Q2 2022 to 338 deals announced and/or closed, a decline of 37% from 535 transactions in Q2 2021 and a record 565 transactions in Q4 2021. The weak first half of 2022 was to be expected given the bolus of transactions that were consummated at the end 2021, but the second quarter dip was far greater than anticipated
- The volume of new deals announced during Q2 2022 also dropped to 74 transactions versus 87 transactions a year ago, which is its lowest level since Q1 2018. This likely suggests that 2H 2022 will not rebound much, and we also anticipate that lenders will become more discerning and conservative in the second half given recession fears and recent interest rate increases
- Stout is seeing high-quality mandates in its own healthcare pipeline, private equity groups and strategics still maintain large cash reserves, and lenders will probably show debt underwriting preference for recession resistant sectors likely Healthcare & Life Sciences in the near term, so we think M&A activity healthcare will remain healthy
- Overall, the number of transactions closed in the quarter dropped 41% to 264

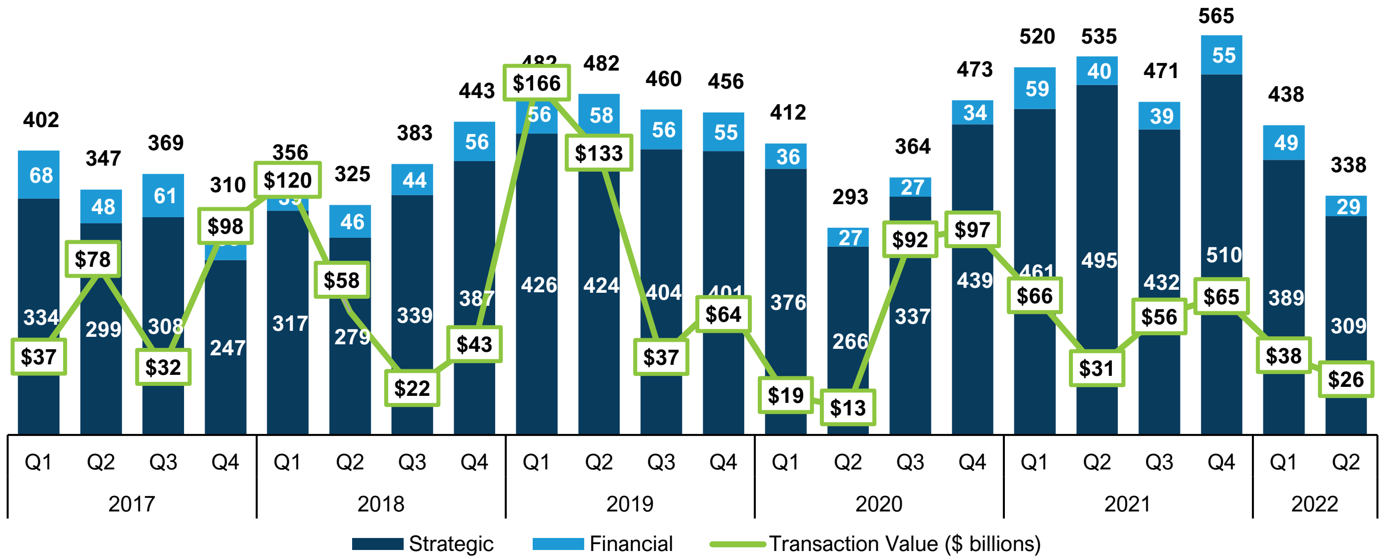
Sources: Stout Proprietary Database, S&P Capital IQ

Stout – Healthcare M&A Activity Highlights

- Overall transaction value of deals announced and/or closed in Q2 2022 was $26 billion versus $31 billion in Q2 2021 and $65 billion in Q4 2021
- The larger transactions in the quarter were, once again, transactions occurring in the Pharmaceutical and Biotechnology subsectors. Pharmaceutical and Biotechnology transactions accounted for five of the ten largest transactions in the quarter; however, companies in these subsectors are more likely to be publicly traded than companies in other subsectors, and are therefore more likely to disclose transaction value

Quarterly Healthcare & Life Science M&A Activity By Buyer Type & Transaction Value

(Number of Announced & Closed M&A Transactions Per Quarter by Type of Acquirer)



Source: S&P Capital IQ

Stout – Healthcare M&A Activity Highlights

RECENT NOTABLE HEALTHCARE & LIFE SCIENCE INDUSTRY TRANSACTIONS

Date	Target (Ownership)	Subsector	Acquirer (Ownership)
Jun-22	Turning Point Therapeutics, Inc. (NasdaqGS:TPTX)	Pharmaceuticals / Biotechnology	Bristol-Myers Squibb Company (NYSE:BMY)
Jun-22	Parata Systems, LLC (Frazier Healthcare Partners)	Medical Practice Operations Support / Software	Becton, Dickinson and Company (NYSE:BDX)
Jun-22	Radius Health, Inc. (NasdaqGM:RDUS)	Pharmaceuticals / Biotechnology	Gurnet Point Capital Limited; Patient Square Capital, LP
May-22	Magellan Rx Management, Inc. (Centene Corporation)	Medical Practice Operations Support / Software	Prime Therapeutics LLC
May-22	Affinivax, Inc.	Pharmaceuticals / Biotechnology	GSK plc (LSE:GSK)
Apr-22	Hospice and Personal Care Division of Kindred at Home (Humana Inc.)	Skilled Nursing / Assisted Living Facilities	Clayton, Dubilier & Rice, LLC
Apr-22	Tivity Health, Inc.	Other (Health & Fitness)	Stone Point Capital LLC
Apr-22	Natus Medical Incorporated (NasdaqGS:NTUS)	Diagnostics / Tools / Clinical Labs	ArchiMed SAS
Apr-22	Antares Pharma, Inc.	Pharmaceuticals / Biotechnology	Halozyme Therapeutics, Inc. (NasdaqGS:HALO)
Apr-22	Sierra Oncology, Inc.	Pharmaceuticals / Biotechnology	GSK plc (LSE:GSK)

NOTABLE HEALTHCARE & LIFE SCIENCE INDUSTRY TRANSACTION HIGHLIGHTS

Turning Point Therapeutics / Bristol Myers Squibb

Bristol-Myers Squibb Company (NYSE:BMY) has announced a definitive agreement to acquire Turning Point Therapeutics, Inc. (NasdaqGS:TPTX), a clinical-stage precision oncology company, for approximately $4.1B. The acquisition broadens Bristol-Myers Squibb's pipeline of investigational medicines designed to target the most common mutations associated with oncogenesis, including Turning Point's lead asset, repotrectinib, a next-generation inhibitor of advanced solid tumors.

Affinivax / GSK

GSK plc (LSE:GSK) has announced its intent to acquire Affinivax, Inc., a clinical-stage biopharmaceutical company, for approximately $3.3B. Affinivax is well known for pioneering the development of a novel class of vaccines, the most of which are next-generation pneumococcal vaccines. The acquisition will further strengthen GSK's vaccines R&D pipeline, provide access to disruptive technologies, and strengthen its scientific footprint in the United States.

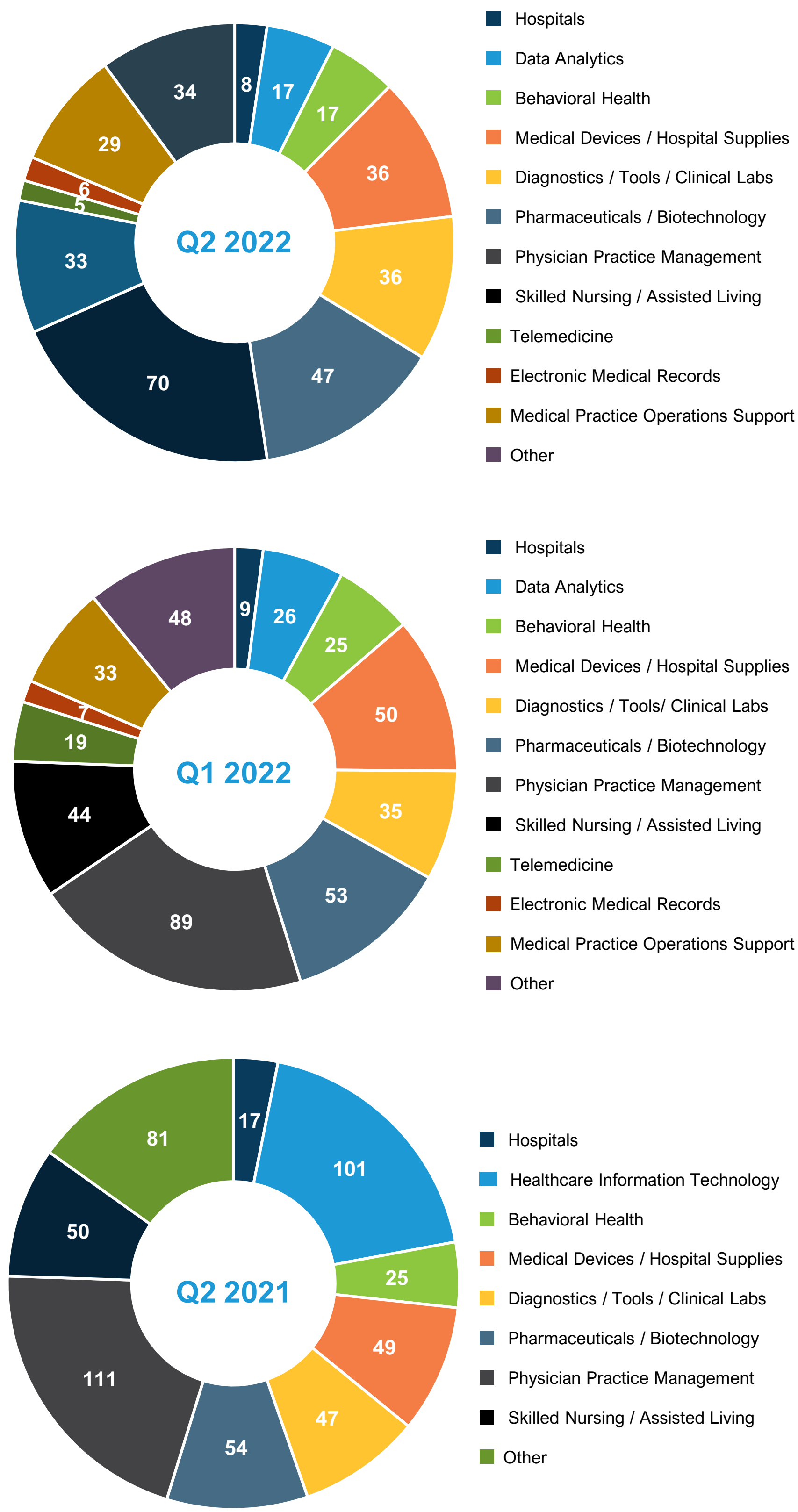
Kindred at Home / Clayton Dubilier & Rice

Humana, Inc. (NYSE:HUM) has announced the divesture of a majority interest in the Hospice and Personal Care divisions of its Kindred at Home subsidiary to Clayton, Dubilier & Rice ("CD&R"), at a valuation of approximately $3.4B. Humana anticipates that CD&R's established physician relationships, value-based care expertise, and record of providing strategic capital to a wide range of businesses will position these divisions for rapid growth, while still maintaining a strategic minority interest.

Healthcare Subsector M&A Activity

- Physician Practice Management was the most active subsector; however, the subsector witnessed the volume of deals announced and/or closed drop to 70 versus 111 in Q1 2022. Stout believes activity in this subsector will remain robust given the roll-up opportunities. The slowdown observed in this past quarter was likely just a lull in activity following an enormous bolus of deal closings in Q4 2021
- Physician Practice Management was active in most segments, with the greatest number of deals in subsectors such as Physical Therapy, Dermatology, Urgent Care, Orthopedics, Veterinarian, Dental, Primary Care, Radiology, and Aesthetics
- Healthcare Information Technology deal volume was 57 in the quarter, a substantial drop from 101 transactions a year ago
- Medical Devices / Hospital Supplies and Diagnostics / Tools / Clinical Labs observed 36 deals each, down from Q2 2021, but both are likely to recover given the activity of strategic acquirers
- Pharmaceuticals / Biotechnology was down slightly at 47 transactions versus 54 in Q2 2021

M&A Volume by End Market



Source: S&P Capital IQ

Healthcare: Public Company Performance

($ millions, except share data)	Ticker	6/30/22	Share Price % 52 High	Q2 Δ	YTD Δ	Ent. Value	LTM Margins Gross	LTM Margins EBITDA	EV / LTM Revenue	EV / LTM EBITDA	Debt / EBITDA
Hospitals											
Community Health Systems, Inc.	CYH	$ 3.75	22.6%	(68.4%)	(71.8%)	$ 13,521	41.3%	13.3%	1.1x	8.1x	7.8x
Encompass Health Corporation	EHC	56.05	65.4%	(21.2%)	(14.1%)	9,528	39.0%	20.1%	1.8	9.1	3.3
HCA Healthcare, Inc.	HCA	168.06	60.2%	(32.9%)	(34.6%)	89,118	38.1%	20.8%	1.5	7.2	3.2
Select Medical Holdings Corporation	SEM	23.62	55.0%	(1.5%)	(19.7%)	8,180	19.3%	11.3%	1.3	11.5	7.0
Tenet Healthcare Corporation	THC	52.56	56.7%	(38.9%)	(35.7%)	22,466	37.4%	17.8%	1.2	6.5	4.3
Group Median			56.7%	(32.9%)	(34.6%)	$ 13,521	38.1%	17.8%	1.3x	8.1x	4.3x
Group Mean			52.0%	(32.6%)	(35.2%)	28,563	35.0%	16.7%	1.4	8.5	5.1
Healthcare Information Technology											
Allscripts Healthcare Solutions, Inc.	MDRX	$ 14.83	63.8%	(34.1%)	(19.6%)	$ 2,036	49.5%	9.0%	1.3x	15.0x	2.9x
Change Healthcare Inc.	CHNG	23.06	95.6%	5.8%	7.9%	11,757	53.0%	20.3%	3.4	16.6	6.6
Doximity, Inc.	DOCS	34.82	32.3%	(33.2%)	(30.5%)	5,940	88.4%	33.5%	17.3	NM	0.0
Evolent Health, Inc.	EVH	30.71	88.8%	(4.9%)	11.0%	2,948	27.3%	2.9%	3.0	NM	12.1
McKesson Corporation	MCK	326.21	96.0%	6.6%	31.2%	51,403	5.0%	1.2%	0.2	16.1	2.4
NextGen Healthcare, Inc.	NXGN	17.44	79.7%	(16.6%)	(2.0%)	1,131	55.8%	5.5%	1.9	34.4	0.6
Omnicell, Inc.	OMCL	113.75	60.7%	(12.2%)	(37.0%)	5,376	48.6%	11.6%	4.5	38.6	4.4
OptimizeRx Corporation	OPRX	27.39	27.6%	(27.4%)	(55.9%)	409	59.0%	1.1%	6.4	NM	0.4
R1 RCM Inc.	RCM	20.96	75.2%	(21.7%)	(17.8%)	9,427	21.5%	18.0%	6.2	34.4	3.1
Tabula Rasa HealthCare, Inc.	TRHC	2.57	5.1%	(55.4%)	(82.9%)	442	28.7%	(11.3%)	1.3	NM	NA
Teladoc Health, Inc.	TDOC	33.21	19.8%	(54.0%)	(63.8%)	6,121	67.8%	(0.4%)	2.9	NM	NA
Veeva Systems Inc.	VEEV	198.04	57.6%	(6.8%)	(22.5%)	27,881	72.6%	27.7%	14.5	NM	0.1
Group Median			62.3%	(19.1%)	(21.1%)	$ 5,658	51.3%	7.3%	3.2x	25.5x	2.7x
Group Mean			58.5%	(21.2%)	(23.5%)	10,406	48.1%	9.9%	5.2	25.9	3.3
Behavioral Health											
Acadia Healthcare Company, Inc.	ACHC	$ 67.63	88.2%	3.2%	11.4%	$ 7,711	42.5%	21.8%	3.2x	14.9x	3.2x
DLH Holdings Corp.	DLHC	15.24	70.9%	(19.5%)	(26.4%)	250	17.2%	10.2%	0.6	6.3	1.4
ModivCare Inc.	MODV	84.50	39.9%	(26.8%)	(43.0%)	2,013	20.5%	7.7%	1.0	12.4	6.3
Universal Health Services, Inc.	UHS	100.71	61.0%	(30.5%)	(22.3%)	12,154	39.6%	14.5%	0.9	6.5	2.5
Group Median			66.0%	(23.2%)	(24.4%)	$ 4,862	30.0%	12.3%	0.9x	9.4x	2.8x
Group Mean			65.0%	(18.4%)	(20.1%)	5,532	29.9%	13.5%	1.4	10.0	3.3
Medical Devices / Hospital Supplies											
Abbott Laboratories	ABT	$ 108.65	76.2%	(8.2%)	(22.8%)	$ 199,436	58.1%	30.3%	4.5x	14.8x	1.3x
Baxter International Inc.	BAX	64.23	71.6%	(17.2%)	(25.2%)	47,774	41.5%	23.4%	3.5	15.1	5.6
Becton, Dickinson and Company	BDX	246.53	87.9%	(7.3%)	(2.0%)	85,752	46.7%	26.0%	4.3	16.4	3.6
Boston Scientific Corporation	BSX	37.27	78.5%	(15.9%)	(12.3%)	62,638	69.5%	26.5%	5.2	19.4	3.0
Edwards Lifesciences Corporation	EW	95.09	72.2%	(19.2%)	(26.6%)	58,315	76.6%	33.2%	10.9	32.7	0.4
ICU Medical, Inc.	ICUI	164.39	58.3%	(26.2%)	(30.7%)	5,335	35.5%	15.5%	3.5	22.4	7.3
Integra LifeSciences Holdings Corporation	IART	54.03	70.4%	(15.9%)	(19.3%)	5,747	63.6%	26.1%	3.7	14.1	4.1
Medtronic plc	MDT	89.75	66.0%	(19.1%)	(13.2%)	133,834	68.3%	29.0%	4.2	14.5	2.7
Stryker Corporation	SYK	198.93	70.8%	(25.6%)	(25.6%)	88,294	65.5%	26.4%	5.1	19.2	3.2
Teleflex Incorporated	TFX	245.85	57.4%	(30.7%)	(25.2%)	12,997	55.0%	28.1%	4.6	16.4	2.5
Zimmer Biomet Holdings, Inc.	ZBH	105.06	63.5%	(17.9%)	(17.3%)	27,946	70.1%	30.0%	3.5	11.8	2.7
Group Median			70.8%	(17.9%)	(22.8%)	$ 58,315	63.6%	26.5%	4.3x	16.4x	3.0x
Group Mean			70.3%	(18.5%)	(20.0%)	66,188	59.1%	26.8%	4.8	17.9	3.3
Molecular Diagnostics / Clinical Labs / Tools											
Agilent Technologies, Inc.	A	$ 118.77	66.1%	(10.2%)	(25.6%)	$ 37,340	54.0%	28.3%	5.7x	20.2x	1.7x
Bio-Techne Corporation	TECH	346.64	63.7%	(20.0%)	(33.0%)	13,697	68.3%	32.8%	12.7	38.8	0.9
Danaher Corporation	DHR	253.52	75.9%	(13.6%)	(22.9%)	203,929	60.9%	34.6%	6.7	19.4	2.2
Hologic, Inc.	HOLX	69.30	85.5%	(9.8%)	(9.5%)	18,079	69.8%	45.9%	3.4	7.3	1.3
Illumina, Inc.	ILMN	184.36	35.0%	(47.2%)	(51.5%)	30,162	71.1%	20.1%	6.5	32.2	2.8
Laboratory Corporation of America Holdings	LH	234.36	73.9%	(11.1%)	(25.4%)	26,835	33.2%	23.2%	1.7	7.3	1.7
PerkinElmer, Inc.	PKI	142.22	70.0%	(18.5%)	(29.3%)	22,319	55.8%	34.5%	4.4	12.9	2.9
Quest Diagnostics Incorporated	DGX	132.98	76.4%	(2.8%)	(23.1%)	19,674	38.4%	25.3%	1.8	7.3	1.7
Thermo Fisher Scientific Inc.	TMO	543.28	80.8%	(8.0%)	(18.6%)	243,351	48.4%	31.1%	5.9	19.0	2.6
Group Median			73.9%	(11.1%)	(25.4%)	$ 26,835	55.8%	31.1%	5.7x	19.0x	1.7x
Group Mean			69.7%	(15.7%)	(26.6%)	68,376	55.5%	30.7%	5.4	18.3	2.0
Specialty Pharmaceuticals / Generics											
AbbVie Inc.	ABBV	$ 153.16	87.1%	(5.5%)	13.1%	$ 336,758	69.8%	49.9%	5.9x	11.9x	2.6x
Bausch Health Companies Inc.	BHC	8.36	27.6%	(63.4%)	(69.7%)	25,016	71.5%	37.8%	3.0	8.0	7.4
Eli Lilly and Company	LLY	324.23	98.0%	13.2%	17.4%	305,970	75.6%	35.5%	10.4	29.4	1.6
Endo International plc	ENDP	0.47	6.6%	(79.8%)	(87.6%)	6,830	59.6%	24.4%	2.3	9.6	11.4
Perrigo Company plc	PRGO	40.57	79.7%	5.6%	4.3%	7,204	33.0%	10.6%	1.7	16.2	8.3
Teva Pharmaceutical Industries Limited	TEVA	7.52	71.6%	(19.9%)	(6.1%)	30,401	47.9%	27.5%	2.0	7.1	5.5
Viatris Inc.	VTRS	10.47	67.1%	(3.8%)	(22.6%)	34,151	43.8%	32.0%	1.9	6.1	4.0
Group Median			71.6%	(5.5%)	(6.1%)	$ 30,401	59.6%	32.0%	2.3x	9.6x	5.5x
Group Mean			62.5%	(22.0%)	(21.6%)	106,618	57.3%	31.1%	3.9	12.6	5.8

Source: S&P Capital IQ

Notes: Market value based on fully-diluted shares including conversion of all exercisable in-the-money options, less shares repurchased using option proceeds. Enterprise Value equals Market Value plus total straight and convertible debt, preferred stock and minority interest, less cash and investments in unconsolidated subsidiaries.

Healthcare: Public Company Performance

($ millions, except share data)	Ticker	Share Price 6/30/22	Share Price % 52 High	Share Price Q2 Δ	Share Price YTD Δ	Ent. Value	LTM Margins Gross	LTM Margins EBITDA	EV / LTM Revenue	EV / LTM EBITDA	Debt / EBITDA
Biotech											
Amgen Inc.	AMGN	$ 243.30	94.1%	0.6%	8.1%	$ 160,281	75.2%	49.0%	6.1x	12.4x	2.9x
Biogen Inc.	BIIB	203.94	54.8%	(3.2%)	(15.0%)	33,682	78.0%	33.5%	3.1	9.3	2.1
Gilead Sciences, Inc.	GILD	61.81	83.4%	4.0%	(14.9%)	97,708	79.7%	48.1%	3.6	7.4	2.0
Jazz Pharmaceuticals plc	JAZZ	156.01	83.8%	0.2%	22.5%	15,374	93.1%	38.5%	4.7	12.1	4.8
Regeneron Pharmaceuticals, Inc.	REGN	591.13	79.1%	(15.4%)	(6.4%)	59,342	66.4%	57.0%	3.6	6.3	0.3
Seagen Inc.	SGEN	176.94	91.8%	22.8%	14.5%	30,687	2.3%	(37.4%)	18.4	NM	NA
Group Median			83.6%	0.4%	0.9%	$ 46,512	76.6%	43.3%	4.1x	9.3x	2.1x
Group Mean			81.2%	1.5%	1.5%	66,179	65.8%	31.5%	6.6	9.5	2.4
Skilled Nursing Facilities											
Addus HomeCare Corporation	ADUS	$ 83.28	77.0%	(10.7%)	(10.9%)	$ 1,506	31.6%	10.0%	1.7x	17.1x	3.5x
Amedisys, Inc.	AMED	105.12	38.1%	(39.0%)	(35.1%)	3,954	44.5%	12.0%	1.8	14.9	2.0
Aveanna Healthcare Holdings Inc.	AVAH	2.26	18.0%	(33.7%)	(69.5%)	1,831	32.5%	6.8%	1.1	15.8	12.3
Brookdale Senior Living Inc.	BKD	4.54	51.6%	(35.6%)	(12.0%)	5,586	21.3%	7.1%	2.2	30.9	28.7
LHC Group, Inc.	LHCG	155.74	71.9%	(7.6%)	13.5%	5,816	39.3%	8.9%	2.6	28.8	4.4
National HealthCare Corporation	NHC	69.90	89.1%	(0.5%)	2.9%	1,041	39.1%	6.6%	1.0	15.0	2.3
The Ensign Group, Inc.	ENSG	73.47	78.0%	(18.4%)	(12.5%)	5,197	18.2%	11.9%	1.9	16.2	4.4
Group Median			71.9%	(18.4%)	(12.0%)	$ 3,954	32.5%	8.9%	1.8x	16.2x	4.4x
Group Mean			60.5%	(20.8%)	(17.7%)	3,562	32.4%	9.0%	1.7	19.8	8.2
Physician Practice Management											
DaVita Inc.	DVA	$ 79.96	58.6%	(29.3%)	(29.7%)	$ 20,677	30.7%	20.3%	1.8x	8.8x	5.1x
Pediatrix Medical Group, Inc.	MD	21.01	58.9%	(10.5%)	(22.8%)	2,582	26.6%	13.4%	1.3	9.9	3.3
RadNet, Inc.	RDNT	17.28	44.5%	(22.8%)	(42.6%)	2,431	23.1%	14.0%	1.8	12.9	7.5
Surgery Partners, Inc.	SGRY	28.92	43.0%	(47.5%)	(45.9%)	6,814	22.2%	18.4%	3.0	16.1	8.1
Group Median			51.5%	(26.0%)	(36.2%)	$ 4,698	24.9%	16.2%	1.8x	11.4x	6.3x
Group Mean			51.2%	(27.5%)	(35.2%)	8,126	25.6%	16.5%	2.0	11.9	6.0
Big Pharma											
AstraZeneca PLC	AZN	$ 66.07	92.1%	(0.4%)	13.4%	$ 231,688	75.4%	25.9%	5.6x	21.6x	3.0x
Bristol-Myers Squibb Company	BMY	77.00	95.5%	5.4%	23.5%	194,802	80.1%	44.9%	4.1	9.2	2.2
GSK plc	GSK	43.53	92.7%	(0.1%)	(1.3%)	144,084	65.3%	29.7%	3.0	10.1	3.1
Johnson & Johnson	JNJ	177.51	95.1%	0.2%	3.8%	469,860	68.1%	34.2%	5.0	14.5	1.0
Merck & Co., Inc.	MRK	91.17	95.2%	11.1%	19.0%	253,483	71.1%	40.5%	4.7	11.6	1.5
Novartis AG	NVS	84.53	88.8%	(3.7%)	(3.4%)	196,378	71.4%	33.9%	3.7	10.9	1.7
Pfizer Inc.	PFE	52.43	85.0%	1.3%	(11.2%)	306,979	60.5%	40.2%	3.3	8.3	1.0
Roche Holding AG	SWX: ROG	333.60	78.8%	(16.2%)	(19.6%)	292,658	70.6%	36.9%	4.1	11.0	1.3
Sanofi	SNY	50.03	86.1%	(2.6%)	(0.1%)	139,381	68.7%	28.8%	3.1	10.9	2.0
Group Median			92.1%	(0.1%)	(0.1%)	$ 231,688	70.6%	34.2%	4.1x	10.9x	1.7x
Group Mean			89.9%	(0.5%)	2.7%	247,701	70.1%	35.0%	4.1	12.0	1.9
Overall Median			71.6%	(15.6%)	(19.5%)	$ 21,498	53.5%	24.8%	3.3x	14.1x	2.9x
Overall Mean			67.4%	(16.8%)	(18.7%)	68,425	51.1%	22.7%	4.1	15.4	3.9
S&P 500				(16.4%)	(20.6%)						

Source: S&P Capital IQ

Notes: Market value based on fully-diluted shares including conversion of all exercisable in-the-money options, less shares repurchased using option proceeds. Enterprise Value equals Market Value plus total straight and convertible debt, preferred stock and minority interest, less cash and investments in unconsolidated subsidiaries.

Stout Healthcare Investment Banking Team

ABOUT

For more than 30 years, Stout has exclusively focused on serving the unique M&A transaction advisory needs of middle-market clients. Our firm is a trusted advisor to leading organizations due to our deep industry knowledge, senior-level attention, process expertise, and relentless focus on delivering unparalleled results.

The Stout Healthcare and Life Science team has deep experience and expertise across numerous industry subsectors, processes, and end markets.

FOCUS AREAS

- **Medical Devices, Medical Technology & Equipment**
- **Hospital Supplies**
- **Life Sciences Tools & Diagnostics**
- **Healthcare Distribution**
- **Physician Practice Management**
- **Pharma Services**
- **Behavioral Health**
- **Specialty Pharmaceuticals**
- **Biotechnology**
- **Post-Acute Care Services**
- **Homecare Services**
- **Healthcare Information Technology**

SELECT RECENT TRANSACTIONS

SG Homecare has been acquired by SVERICA — SELL-SIDE ADVISOR

Select assets of US Compounding, a subsidiary company of ADAMIS, have been acquired by Fagron — SELL-SIDE ADVISOR

rpb has been acquired by GVS — SELL-SIDE ADVISOR

REV-1 Engineering has been acquired by ASAHI INTECC — SELL-SIDE ADVISOR

Advent has been acquired by New Harbor — SELL-SIDE ADVISOR

Life Science Outsourcing, Inc. has received a majority investment from PPC — SELL-SIDE ADVISOR

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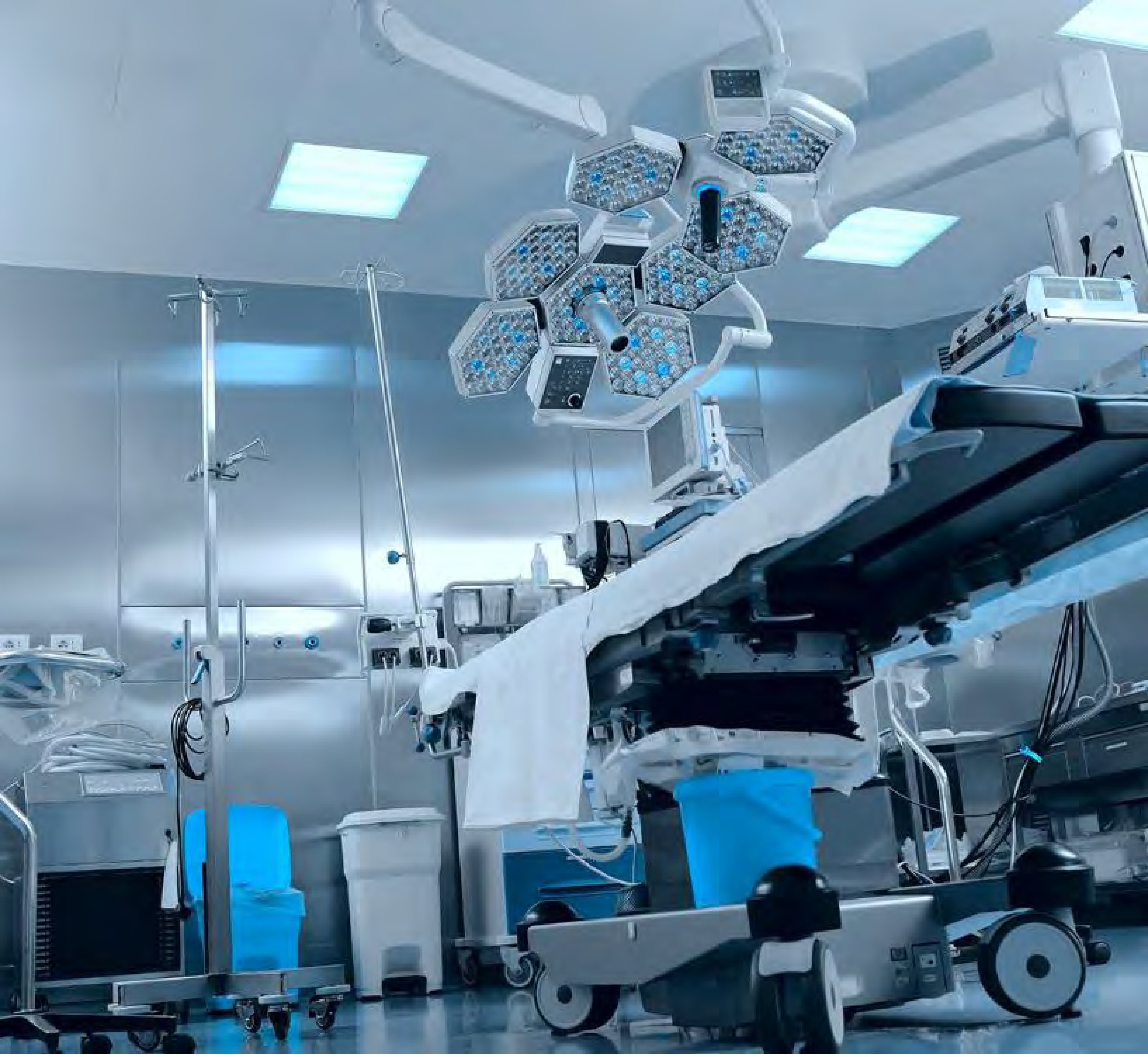

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