

## Healthcare & Contract Manufacturing M&A Activity

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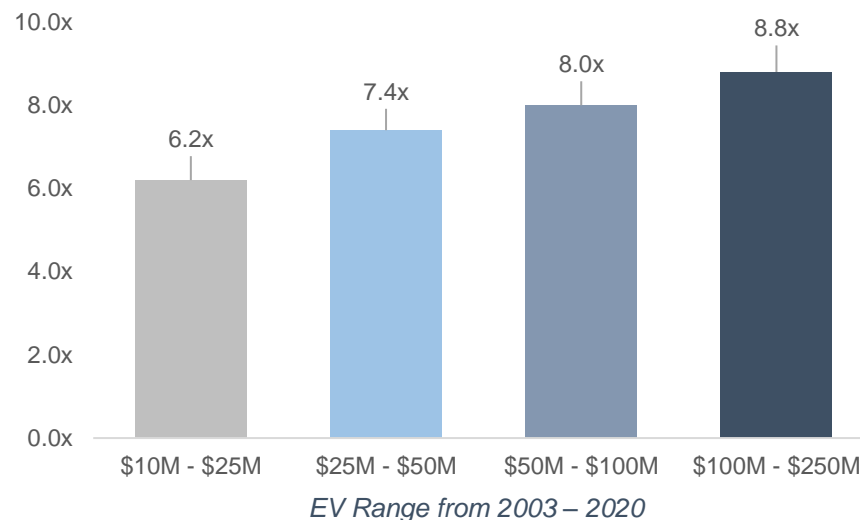
FOUNDERS  
ADVISORS

# Recent Healthcare & CDMO M&A Activity

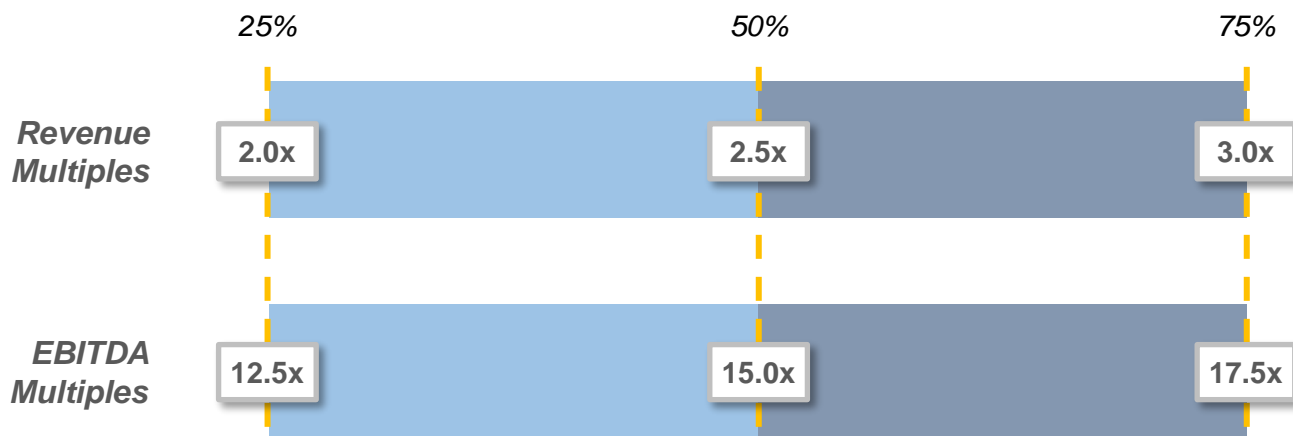
## Valuation Commentary

- Private equity interest in healthcare & CDMOs continues to grow as COVID-related impacts continue to be headwinds to other industries
- Private equity is viewing the dislocation associated with COVID as a time to be opportunistic and proactively put money to work throughout the healthcare landscape
- Hot properties and processes are commanding premium valuations
- Size-related premium for assets of quality continues to be reflected in multiples paid
- EBITDA multiples for large, platform assets can command up to 2.0x more than multiples for smaller comparables
- The size premium in healthcare services is more pronounced, reflecting investor interest in quality assets

## EV / EBITDA – Healthcare Services Valuations



## Select Publicly Available CDMO Revenue & EBITDA Trading Multiples<sup>1</sup>



- Revenue multiples for larger companies in the CDMO space tend to trade around 2.0x to 3.0x; with outliers on the lower and higher end

- EBITDA multiples for larger companies in the CDMO space tend to trade around 12.5x to 17.5x; with outliers on the lower and higher end

<sup>1</sup>Trading multiples detailed on Page #9 and #10. Multiples shown do not reflect size or growth related premium. Average enterprise value of deals shown was \$360 million.

## Vertical Integration

1

- Addition of distinct outsourced R&D capabilities both upstream and downstream continues
- Buyers are looking for ways to vertically integrate to streamline to entire process from idea to product

## Growth in Surgical Devices

2

- Increasingly positive outlook on surgical device end-markets driven by increased outsourcing from OEMs
- Growth driven by minimally invasive & robotic-assisted surgery instruments and tools

## Specialty Plastic Injection Molding

3

- Highest-volume manufacturing process in MedTech with strategic CDMOs looking to add scale
- Search for innovative technologies and competences for specialty plastics, such as high-performance polymers, precision-molding and microfluidics

## In-Vitro Diagnostics

4

- Strategic acquisitions within IVD are more prominent than financial (PE) buyers
- PE has historically struggled to build platforms of scale in this end-market but it proves to be highly strategic for corporate organizations

## Product Development

5

- Return to growth anticipated in 2021 following a slow 2020 due to pandemic shutdowns
- Most improved year-over-year revenue growth within design & development sector

## Extrusion Processes

6

- Extrusion appeared to fare slightly better than other sub-sectors during 2020
- Extruded components manufacturing remains a resilient and therefore attractive end-market

## Downstream Finishing Services

7

- Rebound in elective procedures expected to drive increased demand
- Orthopedic and cardiac implants businesses may benefit the most

## Manual & Automated Assembly Services

8

- Critical step in the value chain for all medical devices
- With strong resiliency and high growth expectations, M&A activity is expected to remain high

# Select PE Backed CDMO Platforms – First Owner (1/2)

Private Equity has been increasingly active in adding additional capabilities to their platform investments through add-on acquisitions.

 <b>Ampersand</b> Platform 2011  <b>CONFLUENT</b>	 <b>Guidepath</b> N/A	 <b>INTERFACE</b> CATHETER SOLUTIONS 2015	 <b>Modified Polymer Components</b> 2016	 <b>Biomedical Structures</b> 2016	 <b>CORPUS MEDICAL INC.</b> 2018	 <b>TUBE HOLLOW INTERNATIONAL</b> 2019
 <b>WATER STREET</b> Platform 2016  <b>VIAANT</b> WE'RE IN IT FOR LIFE.	 <b>VENTION</b> 2017	 <b>CORSTAL LIFE TECHNOLOGIES</b> 2017	 <b>Integer</b> <sup>1</sup> 2018	 <b>MERAQI MEDICAL</b> 2019		
 <b>AMERICAN SECURITIES</b> Platform 2017  <b>MW INDUSTRIES</b>	 <b>LAVEZZI</b> <sup>2</sup> Quality Above All Else 2018	 <b>AMERIFLEX, INC.</b> 2019	 <b>SussexWire</b> Incorporated 2019			
 <b>LEE BLACKBURN PARTNERS EQUITY</b> Platform 2017  <b>WESTFALL TECHNIK</b>	 <b>NPI MEDICAL</b> 2018	 <b>MTSW</b> 2019	 <b>DELTA PACIFIC PRODUCTS</b> 2019			
 <b>LINDEN</b> <sup>1</sup> Platform 2015  <b>Flexan</b> Design. Develop. Deliver.	 <b>MEDRON</b> YOUR OUTSOURCING PARTNER 2016	 <b>IntroMed</b> 2018				
 <b>SV</b> Platform 2014  <b>ximedica</b>	 <b>bridge</b> 2015	 <b>AcceBiotech</b> 2016				

Note: <sup>1</sup>Advanced surgical and ortho lines; <sup>2</sup>Medical Device-focused add-on (MW Industries not exclusively MedTech)

Source: PitchBook and Select Industry Research










# Select PE Backed CDMO Platforms – First Owner (2/2)

Private Equity has been increasingly active in adding additional capabilities to their platform investments through add-on acquisitions.

 Platform 2013 	 2013	 2015
 Platform 2018 	 2020	
 Platform 2018 	 2019	
 Platform 2015 	 2017	

# Select PE Backed CDMO Platforms – Second Owner (1/2)

There are an increasing number of PE-backed platforms that are on their second PE owner. This secondary market is driving new interest from other PE investors.

 <b>Audax Group</b> Platform 2015 	 2016	 2016	 2017	 2017	 2018	<b>MWI</b> 2019
 Platform 2018 	 2018	 2018	 2019	 2019	 2019	
 CAPITAL PARTNERS LLC Platform 2017 	 2012	<b>3D Machining</b> 2014	 2014	 2016	 2020	
 Platform 2017 	 2017	 2018	 2018			

# Select PE Backed CDMO Platforms – Second Owner (2/2)

There are an increasing number of PE-backed platforms that are on their second PE owner. This secondary market is driving new interest from other PE investors.

 <b>eurazeo</b> Platform 2017  <b>IN'TECH MEDICAL</b> <small>MANUFACTURING SOLUTIONS</small>	 <b>PYXIDIS</b> 2017	 <b>BRADSHAW MEDICAL</b> 2018
 <b>KOHLBERG &amp; COMPANY</b> Platform 2018  <b>CADENCE</b>	 <b>ARCOR</b> <small>LASER</small> 2019	
 <b>AEA</b> Platform 2018  <b>SPECTRUM</b> <small>PLASTICS GROUP</small>	 <b>Earnán</b> 2019	

# Select PE Backed CDMO Platforms – No Add-Ons

There have been a number of recent platform acquisitions from traditional tier A healthcare investors with no add-ons to date.

2019

AVISTA  
CAPITAL PARTNERS

acquired



2019

FRAZIER  
HEALTHCARE PARTNERS

acquired



2019

EASTSIDE  
PARTNERS

invested in



2019

TINICUM

acquired



2019

Vance Street | Capital LLC

acquired



2019

DENTRESSANGLE  
investing through passion

acquired



2019

NORDIC CAPITAL

acquired



2012

CFB  
CAPITAL FOR BUSINESS  
acquired





# Select Precedent Transactions (1/2)

					LTM Financials			Multiples		
Date	Target	Buyer	Business Description	Enterprise Value	Revenue	EBITDA	EBITDA Margin	LTM Revenue	LTM EBITDA	
Oct-20	Haselmeier	Sulzer	Developer and manufacturer of drug delivery systems used for fertility and anti-diabetes drugs.	\$122	\$41	NM	NM	3.00x	NM	
Sep-20	NN (Life Science Division)	American Securities	Provider of single-source solution by streamlining the supply chain and managing the entire manufacturing process from product design to final delivery.	825	359	\$72	20%	2.30x	11.50x	
Sep-20	GW Plastics	Nolato	Manufacturer of complex injection-molded thermoplastic and silicone solutions.	229	191	13	7%	1.20x	17.10x	
Jun-20	Fluortek	Nordson	Manufacturer of precision plastic extrusion tubes for the medical industry.	125	20	NM	NM	6.30x	NM	
Mar-20	Consort Medical	Recipharm	Manufacturer of drug delivery devices and related medical devices.	653	380	\$25	7%	1.72x	26.3x	
Aug-19	Aspen Surgical	Audax Group	Manufacturer of disposable surgical supplies and specialty medical products.	170	101	NM	NM	1.69x	NM	
Jan-19	Avista Pharma	Cambrex	Provider of contract development, manufacturing, and testing services of medicinal drugs.	252	65	NM	NM	3.88x	NM	
Oct-18	Clada Medical Devices	Nordson	Manufacturer and designer of catheters.	5	8	NM	NM	0.68x	NM	
Jul-18	Integer (Advanced Surgical and Orthopedics)	Viant Medical	Manufacturer of advanced surgical & orthopedic devices and components.	600	400	NM	NM	1.50x	NM	
May-18	Paragon Medical	NN	Manufacturer of medical devices focusing on the orthopedic, implant and instrument markets.	391	141	NM	NM	2.77x	NM	
Average <sup>1</sup> :				\$360	\$171	\$33	15%	2.48x	15.5x	
<sup>1</sup> Average includes all transactions									NM values represent data where financial results are not fully reported or information is unavailable   Data in Thousands	9

# Select Precedent Transactions (2/2)

					LTM Financials			Multiples		
Date	Target	Buyer	Business Description	Enterprise Value	Revenue	EBITDA	EBITDA Margin	LTM Revenue	LTM EBITDA	
Feb-18	Exactech	TPG	Developer and marketer of orthopedic implants and devices.	\$737	\$264	\$28	11%	2.79x	26.0x	
Feb-18	Dielectrics	UFP Technologies	Manufacturer of medical devices using thermoplastic materials.	77	43	NM	NM	1.79x	NM	
Jan-18	Argon Medical Devices	Shandong Weigao Group Medical Polymer	Manufacturer of specialty medical products designed for surgical purpose.	844	225	\$68	30%	3.74x	12.4x	
Dec-17	Thinxxs Microtechnology	IDEX	Manufacturer of microfluidic components.	38	8	2	18%	4.57x	25.1x	
Oct-17	Bird & Cronin	Dynatronics	Manufacturer of orthopedic products.	14	24	2	10%	0.60x	6.0x	
Sep-17	KeyTronicEMS	Cemtrex	Manufacturer of electronic components.	77	468	17	4%	0.16x	4.6x	
Jul-17	In'Tech Medical	Eurazeo PME	Manufacturer and designer of orthopedic implants and instruments.	110	39	5	12%	2.84x	23.5x	
May-17	Tecomet	Charlesbank	Manufacturer of engineering and metal fabrication technology intended to accelerate product and process development.	1,210	484	120	25%	2.50x	10.1x	
Apr-17	Hausmann Industries	Dynatronics	Manufacturer of medical, therapy and athletic training equipment.	10	15	1	8%	0.68x	8.4x	
Mar-17	Vention Medical	Nordson	Manufacturer of complex medical devices and components in the United States.	719	150	48	32%	4.79x	15.0x	
Average <sup>1</sup> :				\$360	\$171	\$33	15%	2.48x	15.5x	
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